

# DAILY REPORT

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TASS CRITICIZES U.S. ANTISATELLITE TEST DECISION

OW211444 Beijing XINHUA in English 1433 GMT 21 Aug 85

["TASS Denounces US Decision on Anti-Satellite Test" -- XINHUA headline]

[Text] Moscow, August 21 (XINHUA) -- The Soviet Union today said that President Ronald Reagan's decision to test an anti-satellite weapon signals the start of the "star wars" anti-missile defense program.

White House spokesman Larry Speakes announced Tuesday that the United States will test an anti-satellite weapon in space. Such tests, he said, were necessary to counter an anti-satellite system developed by the Soviet Union.

The Soviet news agency TASS said the decision "marks the beginning of the practical implementation of the American 'star wars' program and runs counter to the international treaty on the use of space.

The decision also runs counter to the international treaty governing the nations' exploration of space, signed among others by the United States and also the Soviet-American treaty limiting anti-missile defense systems, TASS pointed out.

GU MU DISCUSSES 'OPENING TO OUTSIDE WORLD' POLICY

HK211024 Beijing ZHONGGUO XINWEN SHE in Chinese 1544 GMT 15 Aug 85

[Text] Beijing, 15 Aug (ZHONGGUO XINWEN SHE) -- "We will rely mainly on our own strength while opening up, and opening up is merely a complementary means. There is no so-called 'violation of sovereignty' and we will never run deeply into debt. We have considered such questions since the very beginning."

This statement was made by State Councillor Gu Mu this afternoon when meeting with experts and scholars on Taiwan residing abroad who came to Beijing to attend "our Taiwan" seminar. Gu Mu met them at the Great Hall of the People together with State Councillor Fang Yi and CPPCC National Committee Vice Chairman Yang Jingren.

Gu Mu stressed: China's policy of opening up to the outside world is based on the principle of independence and self-reliance. We have realized from our practice of the past 30 years that we must open our country in order to speed up the process of the four modernizations. When talking about the Shenzhen Special Economic Zone, Gu Mu emphasized that the achievements in Shenzhen's construction outweigh its shortcomings, although some new problems have yet to be solved in the further development of the special economic zone. He said we have confidence to properly solve these problems.

The 10 Taiwan scholars and experts attending the meeting with Gu Mu came from the United Kingdom, the United States, and the FRG. They included Professor Li Che-fu from the Catholic University of America in Washington, Associate Professor Hung Ming-shui from Brooklyn College of City University of New York, and Dr Huang Wen-chih from the China Research Office of the Erlangen-Nuremberg University of West Germany.

During the 2-hour meeting, the Taiwan experts and scholars residing abroad expressed their interest in and concern for the motherland's economy, education, reform of the scientific research system, policies for opening up the economy, development of the special economic zones, and reunification. They also put forward many useful and constructive proposals. Fang Yi, Gu Mu, and Yang Jingren briefed them on the situation in relevant fields and thanked the Taiwan experts and scholars for their enthusiasm for the motherland's construction and reunification.

When answering their questions about the motherland's reunification, Yang Jingren told the experts and scholars that our constant policy is to pin hope on the Taiwan authorities, and even more on the Taiwan people. In the final analysis, reunification is in the interests of the 1 billion Chinese people, especially in the fundamental interests of the Taiwan people.

Liao Qiuzhong, president of the Taiwan Fellow-Student Association, and Li Chunxuan, vice president of the association, and Wu Guozhen, Bai Shaofan, and Lin Shengzhong, executive members of the association, also attended the meeting.

#### LI XIANNIAN APPOINTS, DISMISSES DIPLOMATIC ENVOYS

OW220007 Beijing XINHUA Domestic Service in Chinese 0246 GMT 21 Aug 85

[Text] Beijing, 21 Aug 85 (XINHUA) -- In accordance with a decision of the Standing Committee of the Sixth NPC, Li Xiannian, president of the People's Republic of China, made the following and appointments and dismissals yesterday:

1. Appointing Chang Hongsheng [0788 7703 5116] as PRC ambassador extraordinary and plenipotentiary to the Republic of Greece, and dismissing Zhuang Yan from the office of PRC ambassador extraordinary and plenipotentiary to the Republic of Greece;
2. Appointing Zhou Mingji [0719 2494 1015] as PRC ambassador extraordinary and plenipotentiary to the Socialist Republic of the Union of Burma, and dismissing Huang Mingda from the office of PRC ambassador extraordinary and plenipotentiary to the Socialist Republic of the Union of Burma;
3. Appointing Li Sichun [2621 0013 3196] as PRC ambassador extraordinary and plenipotentiary to the Socialist Republic of Vietnam, and dismissing Qiu Lixing from the office of PRC ambassador extraordinary and plenipotentiary to the Socialist Republic of Vietnam;
4. Appointing Zhang Dewei [1728 1795 4580] as PRC ambassador extraordinary and plenipotentiary to the Kingdom of Thailand and concurrently ambassador extraordinary and plenipotentiary to Democratic Kampuchea, and dismissing Shen Ping from the office of PRC ambassador extraordinary and plenipotentiary to the Kingdom of Thailand and concurrent ambassador extraordinary and plenipotentiary to Democratic Kampuchea;
5. Appointing Zhang Zhen [1728 4176] as PRC ambassador extraordinary and plenipotentiary to the Hashemite Kingdom of Jordan, and dismissing Huang Shixie from the office of PRC ambassador extraordinary and plenipotentiary to the Hashemite Kingdom of Jordan;

6. Appointing Liu Qingyou as concurrent PRC ambassador extraordinary and plenipotentiary to the Federal Islamic Republic of the Comoros;
7. Appointing Hu Changlin [5170 2490 2651] as PRC ambassador extraordinary and plenipotentiary to the United Arab Emirates;
8. Appointing Qian Jiadong as PRC representative (ambassador extraordinary and plenipotentiary) of the Permanent Mission to the United Nations Office in Geneva and to other international organizations in Switzerland, and dismissing Li Luye from the office of PRC representative of the Permanent Mission to the United Nations Office in Geneva and to other international organizations in Switzerland;
9. Appointing Liu Shan [0491 1427] as PRC ambassador extraordinary and plenipotentiary to the Kingdom of Belgium and concurrent ambassador extraordinary and plenipotentiary to the Grand Duchy of Luxembourg and head of the Chinese mission in the European Economic Community, and dismissing Zhang Shu from the office of PRC ambassador extraordinary and plenipotentiary to the Kingdom of Belgium and concurrently ambassador extraordinary and plenipotentiary to the Grand Duchy of Luxembourg and head of the Chinese mission in the European Economic Community;
10. Appointing Gu Xiner [7357 2946 3643] as PRC ambassador extraordinary and plenipotentiary to the Republic of Ghana, and dismissing Jia Huaiji from the office of PRC ambassador extraordinary and plenipotentiary to the Republic of Ghana;
11. Appointing Tao Dazhao as PRC ambassador extraordinary and plenipotentiary to the Federative Republic of Brazil, and dismissing Xu Zhongfu from the office of PRC ambassador extraordinary and plenipotentiary to the Federative Republic of Brazil;
12. Appointing Li Guoxin [2621 0948 2450] as PRC ambassador extraordinary and plenipotentiary to the Republic of Colombia, and dismissing Tao Dazhao from the office of PRC ambassador extraordinary and plenipotentiary to the Republic of Colombia;
13. Appointing Li Peiyi [2621 1014 1355] as PRC ambassador extraordinary and plenipotentiary to the Republic of Togo, and dismissing Jin Minsheng from the office of PRC ambassador extraordinary and plenipotentiary to the Republic of Togo;
14. Appointing Zhang Ruijie [1728 3843 2638] as PRC ambassador extraordinary and plenipotentiary to Socialist Ethiopia, and dismissing Zhao Yuan from the office of PRC ambassador extraordinary and plenipotentiary to Socialist Ethiopia;
15. Appointing Wu Shunyu [0702 7311 6276] as PRC ambassador extraordinary and plenipotentiary to the Republic of Lebanon, and dismissing Yu Mengxin from the office of PRC ambassador extraordinary and plenipotentiary to the Republic of Lebanon;
16. Appointing Luo Jiahuan [5012 0857 7536] as PRC ambassador extraordinary and plenipotentiary to the Republic of Sierra Leone, and dismissing Tian Ding from the office of PRC ambassador extraordinary and plenipotentiary to the Republic of Sierra Leone.

MCFARLANE SEES 'TROUBLE' IN U.S.-USSR SUMMIT

OW220810 Beijing XINHUA in English 0747 GMT 22 Aug 85

[Text] Washington, August 20 (XINHUA) -- A high-ranking official of the Reagan administration has admitted that the United States and the Soviet Union have "a lot of trouble" to start a real dialogue during the forthcoming Reagan-Gorbachev summit in mid-November.

In a speech before the Santa Barbara Channel Club in California yesterday, presidential national security adviser Robert McFarlane urged the Soviet Union to make a shift in its approach and thinking on major issues, both external and internal.

"Without some change in the Soviet approach to security issues, in fact in the thinking that underlies it, I fear that even incremental improvements (in the U.S.-Soviet relations) will be extremely hard to reach," he stated.

McFarlane's assessment came at a time when both the Soviet Union and the United States, while busy preparing for the Geneva summit, are engaged in a vigorous propaganda war against each other.

He cited several examples of what he described as Soviet decisions in recent years to accelerate competition in chemical weapons, ballistic missiles defense and intermediate-range missiles.

In each case, he said the Soviet Union attempted to "resume or initiate competition in an area where there had not been any at all."

Referring to Soviet complaints about Reagan's "star wars" program, he said the Soviets have proposed "something we believe is non-negotiable and nonverifiable -- a ban on research even as they pursue the largest research program on earth."

However, McFarlane reaffirmed that despite these troubles, President Ronald Reagan "has committed himself to meet the Soviet Union half way in developing responsible solutions to our standing problems."

Yesterday, the White House announced that Reagan and his top advisers will meet with the new Soviet Foreign Minister Eduard Shevardnadze in Washington on September 27 "to review all areas of our relations and help prepare" for the Reagan-Gorbachev summit.

SENATORS CONDEMN CHEMICAL TRACKING BY SOVIETS

OW220826 Beijing XINHUA in English 0801 GMT 22 Aug 85

[Text] Washington, August 21 (XINHUA) -- The Soviet practice to dust American diplomats with "tracking" chemicals to monitor their activities in the Soviet Union has caused serious concern among U.S. Congressmen, some even called for closing the U.S. Embassy in Moscow.

The United States today in an announcement accused the Soviet Union of spraying a potentially cancer-causing chemical on such objects as doorknobs and steering wheels to trace Americans in Moscow and identify their contacts.

When informed of the Soviet practice, Senator Strom Thurmond, the U.S. Senate's senior Republican, said: "I would go so far as to say if they are going to put chemicals on our people over there, subject them to cancer, that we close the embassy entirely if necessary."

He called the Soviet move "inhuman" and "barbarous." In his opinion, this is a step "Americans cannot accept under any circumstances."

Thurmond will go to visit Moscow later this month with a Senate delegation.

Meanwhile, leaders of the Senate Intelligence Committee demanded that the United States sharply reduce the number of Soviet diplomats in the U.S.

However, other Senators said that no matter how unpleasant it is, overriding U.S. interests are more important than a single incident. Therefore, the suggestion that the U.S. Embassy in Moscow be closed is not practical.

Senator John Warner said that these incidents occur from time to time, and the U.S. cannot take its eye off the main target, which is the forging of "equitable agreements on arms control and confidence-building measures" between the two superpowers.

However, it is estimated that the disclosure today probably will not scuttle the announced summit between U.S. President Ronald Reagan and Soviet leader Mikhail Gorbachev, which is scheduled in Geneva in November. The White House announced Monday that Reagan will meet Soviet Foreign Minister Eduard Shevardnadze next month in New York to prepare for the U.S.-Soviet summit.

#### HUANG HUA MEETS HOUSE JUDICIARY COMMITTEE GROUP

OW211516 Beijing XINHUA in English 1447 GMT 21 Aug 85

[Text] Beijing, August 21 (XINHUA) -- Huang Hua, vice-chairman of the Standing Committee of China's National People's Congress (NPC), met here today with a delegation from the Judiciary Committee of the House of representatives of the United States, headed by its chairman, Peter Wallace Rodino Jr.

Huang said the NPC wished to have closer working ties with the U.S. Congress.

Rodino said his committee treasured their relations with their Chinese counterpart.

The delegation came today at the invitation of the NPC Standing Committee's Commission of Legislative Affairs.

During their three days' stay here, the delegation and their Chinese counterpart will brief each other on their work and exchange views on questions including the prohibition of narcotics, refugees, and the criminal law.

In the evening, Wang Hanbin, secretary general of the NPC Standing Committee and director of the host commission, gave a dinner to honor the American guests.

XINHUA COMMENTARY CONDEMNS YASUKUNI SHRINE VISIT

OW211718 Beijing XINHUA in English 1654 GMT 21 Aug 85

[**["Commentary: No Equivocation on Nature of the War of Aggression!" -- XINHUA headline]**

**[Text]** Beijing, August 21 (XINHUA) -- People all over the world have greeted the 40th anniversary of the end of World War II by reaffirming their resolve to oppose wars of aggression and maintain world peace. They once again condemned the atrocities committed by the fascist and honored the memory of those who laid down their lives so that freedom could prevail over aggression.

However, a jarring note was heard amid this universal chorus of peace and justice. On August 15, the date of Japan's official surrender 40 years ago, members of the Japanese Cabinet, with a few exceptions, visited the Yasukuni Shrine in their official capacity to honor the memory of the Japanese war dead including Hideki Tojo and 13 other war criminals of the first degree.

This painful contrast cannot fail to arouse people to think more about the war and what people should learn from this holocaust.

The war saw many Asian and Pacific countries being thrown, one after another into a bloodbath without parallel by the Japanese militarists. In China, the war took well over ten million lives and the losses of property ran to scores of billions of U.S. dollars. The Japanese people, too, had to live in heart-rending bereavement and dire misery under the jackboots of militarism.

The Chinese Government and people have all along drawn a clear line of distinction between the Japanese people and those handful of militarists, and have joined hands with the Japanese people in an unremitting effort to preclude any possibility of another such global tragedy.

Like those of many other Asian countries, the Chinese people and government have cherished the hope that the Japanese Government will bow to the historical facts and take an unequivocal stand on that appalling war of aggression and on where the guilt and responsibility lie. This is the best guarantee against the renewal of militarism and the recurrence of any such crime.

To their deepest disappointment and regret, the Japanese Government decided, for the first time since the end of the war, to pay an official visit to the shrine. It openly declared that "the purpose of the visit is to honor the memory of those who gave their precious lives to the defence of their motherland and their fellow-countrymen." Then, as if on second thoughts, it said that it "is deeply aware of the tremendous suffering and damage inflicted on the other peoples, first and foremost, other Asian peoples."

These conflicting statements impress one with the intention to obscure more or less the wicked nature of the war of aggression unleashed by the Japanese militarists -- and intention that makes a mockery of the sentiments and aspirations of the Chinese and other Asian peoples. Naturally, they are unacceptable to the nations and people who had gone through that world holocaust.

In taking the decision, the Japanese Government has pandered to and has actually emboldened those in Japan who have always wanted to deny the aggressive nature of the war and reverse the verdict on Japanese militarism long condemned to the dustbin of history. This of course has given rise to much concern among the peoples of Asia and put them on guard.

Thanks to the efforts of both the Chinese and Japanese Governments and peoples, Sino-Japanese relations have undergone a radical change since the resumption of their diplomatic relations. Bilateral cooperation and friendship have reached a height never before seen. Both the Chinese and Japanese peoples love peace and oppose war. Peace and friendship are in their best interest. The Chinese, on their part, sincerely wish to see the healthy and smooth development of this friendship provided correct lessons are learned from past experience.

#### DPRK COMMITTEE DENOUNCES SUPPRESSION IN SOUTH

OW210930 Beijing XINHUA in English 0854 GMT 21 Aug 85

[Text] Pyongyang, August 21 (XINHUA) -- The Democratic People's Republic of Korea has again denounced the South Korean authorities for their continuing suppression of the struggles for democracy and reunification in South Korea.

A memorandum issued yesterday by the Korean Committee for the Peaceful Reunification of the Fatherland said that by the end of April, the South Korean authorities had frequently sent out policemen to crack down on the student movement. The expenditure on tear gas ran to more than 2.98 billion won (some 3.73 million U.S. dollars).

Since the beginning of this year, said the memorandum, well-known opposition leaders Kim Tae-chung and Kim Yong-sam have time and again been put under house arrest, while many students have been arrested. Seoul National University alone has had more than 3,000 students either expelled from school or given punishments.

In May, South Korean policemen also ransacked 28 bookstores and publishing houses, and confiscated many publications.

The memorandum pointed out that the South Korean authorities' actions would evoke even stronger indignation and resistance from the people of Korea.

#### NORTH, SOUTH KOREAN RED CROSS DELEGATES TO MEET

OW201616 Beijing XINHUA in English 1505 GMT 20 Aug 85

[Text] Pyongyang, August 20 (XINHUA) -- Red Cross delegates from the North and the South of Korea will hold third working meeting on August 22 at the truce village of Panmunjom to discuss details of the proposed exchange of visits of artists and civilians, KOREAN CENTRAL NEWS AGENCY announced today.

The previous two rounds of talks were held on July 15 and 19. No agreement had been reached on the matter.

FURTHER ON VISIT BY AUSTRALIAN GOVERNOR-GENERAL

Meets Hu Yaobang, Hu Qili

OW191517 Beijing XINHUA in English 1509 GMT 19 Aug 85

[Text] Beijing, August 19 (XINHUA) -- Hu Yaobang, general secretary of the Chinese Communist Party Central Committee, met Governor-General of the Commonwealth of Australia Sir Ninian Martin Stephen, and Lady Valery Mary Stephen here this afternoon.

Hu first met the governor-general during his visit to Australia last April. Today they had a pleasant talk on issues of common interest.

Later Hu gave a dinner for the distinguished Australian guests.

Hu Qili, member of the Secretariat of the CPC Central Committee, was present on the occasions.

This afternoon the couple toured the Palace Museum and the Summer Palace.

Li Xiannian Hosts Fete

OW201334 Beijing XINHUA in English 1321 GMT 20 Aug 85

[Text] Beijing August 20 (XINHUA) -- President Li Xiannian held a banquet in honor of the visiting Governor-General of the Commonwealth of Australia Sir Ninian Martin Stephen and Lady Stephen at the Diaoyutai State Guesthouse this evening.

In his toast, President Li, on behalf of the Chinese Government and people, extended a warm welcome to the guests. He said the governor-general was an old friend of the Chinese people whose visit would certainly contribute to the promotion of friendship between China and Australia.

Li continued: "I had the honor of visiting your beautiful and richly-endowed country in 1980 and I still cherish the happy memory of the warmth and hospitality accorded to me by your government and people. I am glad to note that there has been a rapid expansion of exchanges between China and Australia in various fields in recent years and development of relations has made big headway. There is promise of even broader vistas."

Governor-General Stephen in turn expressed the hope that his visit would further strengthen the links of friendship between the two nations.

He said that he had seen, in the past two days, some of the splendors of Beijing and many of the people of Beijing. "Everywhere we have been welcomed with friendly faces and warm hospitality," he said. "There is also much warmth in the hearts of all Australians for China and the Chinese."

Among those present were President Li's wife, Lin Jiamei, and State Councillor and Minister of Foreign Affairs Wu Xueqian.

Leaves for Shanghai

OW210810 Beijing XINHUA in English 0728 GMT 21 Aug 85

[Text] Beijing, August 21 (XINHUA) -- Australian Governor-General Sir Ninian Martin Stephen and Lady Valery Mary Stephen left here for Shanghai this morning in the company of Chinese Vice-Minister of Foreign Affairs Zhu Qizhen.

TAIWAN LEGISLATIVE YUAN MEMBER VIEWS HONG KONG

HK190843 Beijing ZHONGGUO XINWEN SHE in Chinese 1340 GMT 16 Aug 85

[Text] Hong Kong 16 Aug (ZHONGGUO XINWEN SHE) -- In the recent issue of NEWSDOM published here, Pu Shao-fu a member of the Legislative Yuan of Taiwan, published an article of more than 10,000 characters expressing his views and suggestions on Hong Kong's future.

This article was Mr Pu's open reply to Xu Jiatun, director of XINHUA's Hong Kong branch, for inviting him to join the Basic Law Consultative Committee on 15 July. It is entitled: "Thanks to Mr Xu Jiatun for His Kindness."

The article said, since the CPC and the United Kingdom issued the joint statement on 26 September 1984 and Hong Kong entered its transitional period, I have become increasingly interested in the Hong Kong issue and have paid more attention to it than before. I also have had a new idea: Hong Kong has not yet been sentenced to death; it still has a long period of 12 years. This is mainly due to the CPC treating it as a "special administrative zone," adhering to the principle of "one country, two systems," maintaining everything in Hong Kong, and stressing stability and prosperity again and again.

Pu Shao-fu said that Hong Kong's sovereignty must be recovered, and that it is perfectly justifiable to do so.

In his article, Mr Pu said that as he is a "member of the Legislative Yuan of Taiwan," he is not allowed to accept this post (as a member of Basic Law Consultative Committee). He can only air his views as a "veteran Hong Kong citizen" who has resided in Hong Kong for nearly 40 years.

In his article, Mr Pu said that he believed that the basic law should adhere to the following three things: 1) internationalization, 2) independence, 3) democratization.

Discussing the CPC's concept of "one country, two systems" for solving the Hong Kong issue, Pu Shao-fu said: "I seriously believe that the reunification of China and the future destiny of the Chinese nation all hinge on the development of 'one country, two systems' in Hong Kong." In an interview with a reporter, he said that "one country, two systems" is for transitional purposes, but he hopes that it will be a success in Hong Kong.

Mr. Pu also said that he believes that all those who remain in Hong Kong have to believe that the CPC will sincerely keep its promise.

In his article, Mr Pu gave Mr Xu Jiatun much praise. In conclusion he said: "Hong Kong people bless Mr Xu Jiatun." He also believes that Xu would like to bless Hong Kong people as well.

SPANISH SENATE SPEAKER DE CARVAJAL BEGINS VISIT

## Madrid Departure

OW201636 Beijing XINHUA in English 1618 GMT 20 Aug 85

[Text] Madrid, August 20 (XINHUA) -- The Spanish Senate delegation, led by Jose Federico de Carvajal, president of the Senate, left here today for a goodwill visit to China. The 19-member delegation is invited by Peng Zhen, chairman of the Standing Committee of the Chinese National People's Congress. Chinese President Li Xiannian had conveyed the invitation when he visited Spain last November.

The delegation includes Arturo Lizon, first vice-president of the Senate and a spokesman for the Senate. Chinese Ambassador to Spain Cao Yuanxin saw the delegation off at the airport.

## Peng Zhen Meets Legislators

OW211758 Beijing XINHUA in English 1647 GMT 21 Aug 85

[Text] Beijing, August 21 (XINHUA) -- Peng Zhen, chairman of China's National People's Congress Standing Committee, today met with a delegation from the Senate of Spain headed by its Speaker Jose Federico de Carvajal.

Peng Zhen told the guests that the friendship between the Chinese and Spanish people is solidly based although they are far apart geographically.

The chairman said that China and Spain have identical or similar views on many important international issues and can learn from each other and meet each other's needs in political, economic, cultural and other fields.

The speaker said that China is a very important country whose voice in the United Nations carries weight. He said closer relations of cooperation, especially in trade, will be beneficial to both sides.

He expected the coming visit to China by Spanish Prime Minister Felipe Gonzalez to further the relations between the two countries.

Both Peng Zhen and De Carvajal shared the view that the people all over the world should get united so as to safeguard world peace.

Peng said if the world people including the people of super powers are closely united and work together to preserve world peace, it will be possible to prevent a new world war, or at least postpone it.

He said China is a force for peace, and so is the European Community. He gave a positive appraisal of Spain's entry into the European Community."

Present on the occasion were Liao Hansheng and Zhang Ruiying, vice-chairman and member of the NPC Standing Committee, and Spanish Ambassador to China Mariano Ucelay de Montero.

The Spanish guests arrived here by air this afternoon at the invitation of the NPC Standing Committee. They were greeted at the airport by Liao Hansheng.

## Delegation Feted at Banquet

OW211920 Beijing XINHUA in English 1901 GMT 21 Aug 85

[Text] Beijing, August 21 (XINHUA) -- The visiting delegation from the Senate of Spain headed by the Senate Speaker Jose Federico de Carvajal was entertained at a banquet given by the Standing Committee of China's National People's Congress at the Great Hall of the People here this evening.

Hosting the function on behalf of the NPC Standing Committee Chairman Peng Zhen, Vice-Chairman Liao Hansheng in his toast that relationship between China and Spain developed satisfactorily with their cooperation expanding steadily. The two countries, despite their different social systems, do not have a fundamental conflict of interest but have many common points in the cause of safeguarding state sovereignty and maintaining world peace. He said that China's National People's Congress is willing to strengthen its relations and contacts with the Spanish Parliament.

De Carvajal expressed his thanks for the warm reception his delegation had received since their arrival. He said that both Spain and China love peace and the development of political, economic and cultural relations between them is beneficial not only to the two countries themselves but to the world peace.

Present were members of the NPC Standing Committee Zhang Ruiying, Zeng Tao, Wu Bo, Wang Pu and Wang Ganchang, as well as Spanish Ambassador Mariano Ucelay de Montero.

#### HU YAOBANG MEETS WITH ITALIAN COMMUNIST GROUP

OW201458 Beijing XINHUA in English 1452 GMT 20 Aug 85

[Text] Beijing, August 20 (XINHUA) -- Hu Yaobang, general secretary of the Chinese Communist Party Central Committee, met and feted Letizia Berlinguer, wife of the late general secretary of the Italian Communist Party, Enrico Berlinguer, and Luciano Barca, leading member of the Italian party, and their group.

Host and guests reviewed their meetings in the past and Hu Yaobang briefed the visitors on China's current economic reform.

Among those present was Qian Liren, head of the International Liaison Department of the CPC Central Committee.

The Italian guests arrived here on August 5 on a vacation tour at the invitation of CPC Central Committee. They visited Shanghai, Wuxi, Qingdao and other places in China.

#### YANG JINGREN MEETS CHINESE ARTISTS FROM FRANCE

OW211411 Beijing XINHUA in English 1212 GMT 21 Aug 85

[Text] Beijing, August 21 (XINHUA) -- Yang Jingren, vice-chairman of the National Committee of the Chinese People's Political Consultative Conference, met with Peng Wants and his wife Tuan Kehming, both Chinese painters residing in France, here this afternoon.

Graduated from the Fine Arts Department of the National Normal University of Taiwan, Peng Wants has been residing in France since early 1960's.

Yang warmly welcomed them to the mainland to give lectures and see relatives.

Peng said he was very pleased to return to the motherland for the first time in the last 36 years. He expressed the hope that with the development of its economy and scientific technology, China would increase its exchanges in fine arts with France and other countries. "I will try my best to contribute to it," he said.

The couple arrived here yesterday at the invitation of the Chinese Artists' Association and the China Federation of Literary and Art Circles.

FURTHER ON VISIT BY TANZANIAN PRESIDENT NYERERE

Meets Deng Xiaoping

OW211130 Beijing XINHUA in English 1107 GMT 21 Aug 85

[Text] Beijing, August 21 (XINHUA) -- Deng Xiaoping, chairman of the Chinese Communist Party Central Advisory Commission, told Tanzanian President Julius K. Nyerere here today that the Third World is the main force to check war and safeguard world peace.

The force checking world war will increase with the growth of the strength of the Third World, he added.

World peace is hopeful though the danger of world war still exists, Deng Xiaoping said. There is a considerable expansion of strength for peace.

Consenting to Deng's analysis, Nyerere said a strong China which adopts an independent policy is of great significance to preserving world peace.

The meeting lasted 80 minutes this morning in the Great Hall of the People.

Deng told the Tanzanian president that the Chinese Communist Party had done a right thing in handling the question of "Cultural Revolution" by adhering to Marxism-Leninism and Mao Zedong Thought. "Political unity and stability have been further consolidated in the past few years," he said.

China is now tackling two things, Deng went on. "One is economic restructuring. As a result, our economy has made a sustained and stable growth. The other task is to promote younger people to leading positions. If this can be done smoothly, it will ensure the continuity of our present policy."

Deng Xiaoping said the Communist Party conference next month will discuss and adopt the party's proposal for the Seventh Five-Year Plan (1986-1990) and decide on personnel changes.

Noting that the Tanzanian Revolutionary Party had held a meeting not long ago and made changes on personnel matters, Deng turned to Nyerere, saying: "We have thought of the same thing."

Nyerere said he will not run for the presidency at the next general elections in October and will be the chairman of the Revolutionary Party until 1987.

Deng Xiaoping said this is a very wise decision, rarely seen in this world. Nyerere said he was pleased to hear it.

When Nyerere mentioned world reactions to China's economic reform, Deng Xiaoping said some critics overseas said China's economic reform would lead to capitalism while others said China would not change its socialist system. "I think the latter ones are farsighted," he said. "Our general principle is to adhere to the socialist road, to the proletarian dictatorship, to Communist Party leadership and to Marxism-Leninism and Mao Zedong Thought."

Under this general principle, Deng said, "we follow good policies to develop the productive forces and get rid of backwardness and poverty step by step."

He stressed that the reforms in China are meant to remove the obstacles that stand in the way of the development of the productive forces. "Our present restructuring is a change of the revolutionary nature," he said.

Deng Xiaoping added: "Any country must pay attention to its own specific conditions in building socialism, and must not copy the experience of others mechanically."

Sharing Deng's views, Nyerere said that flexible methods should be used in building socialism, and China's achievements in its reform would be beneficial to the international community.

Condemns S. Africa, Lauds PRC

OW211316 Beijing XINHUA in English 1215 GMT 21 Aug 85

[Text] Beijing, August 21 (XINHUA) -- The visiting Tanzanian President Julius Nyerere today sharply criticises the so-called "reforms" stated by the South African authorities was intended not to remove the system of apartheid, but to remove some minor elements of the system.

During an interview with China Central T.V. Station here this afternoon, he said, the "reforms" were empty and could not satisfy the African people who want freedom for all people in the entire Africa.

It was aimed at easing the criticism of the policy of apartheid, he noted. The reforms cannot abolish the system of racial discrimination.

Speaking of the Sino-Tanzanian relations, the president said, during his first visit to China in 1965, he met the late Chinese leaders Mao Zedong, Zhou Enlai and Liu Shaoqi and signed a Tanzania-China friendship treaty that year. Bilateral relations were very good during the last 20 years, he said.

Noting that this was his final presidential visit, the fifth visit to China, that he wanted to say thanks to the Chinese Government and people, and to those thousands of the Chinese who had worked in Tanzania, for the friendship they had shown to his country.

Although he would not be president during the next term of office, he said, he was confident that the friendship between the two countries and peoples would grow stronger and stronger.

Leaves for DPRK

OW220210 Beijing XINHUA in English 0203 GMT 22 Aug 85

[Text] Beijing, August 22 (XINHUA) -- Tanzanian President Julius K. Nyerere left here this morning by air for Pyongyang after concluding a four-day state visit to China.

Chinese President Li Xiannian went to the state guesthouse to bid farewell to President Nyerere, congratulating him on the success of his China visit.

This morning, Chinese Minister of Foreign Economic Relations and Trade Zheng Tuobin and Tanzanian Minister of Labor and Manpower Development D. Mwakawago signed an agreement on the establishment of a joint economic, technical and trade committee between China and Tanzania. Li Xiannian and Nyerere attended the signing ceremony.

FANG YI MEETS BENIN PARTY OFFICIAL MONTEIRO

OW200814 Beijing XINHUA in English 0720 GMT 20 Aug 85

[Text] Beijing, August 20 (XINHUA) -- Fang Yi, member of the Political Bureau of the Chinese Communist Party Central Committee, and state councillor, had a meeting with Armand Monteiro, member of the Political Bureau of the Central Committee of the Benin People's Revolutionary Party, here this morning. Monteiro arrived here August 5 at the head of a delegation from the Benin Society for Solidarity With Other Countries.

COMMANDER WANG HAI FORESEES STRONGER AIR FORCE

HK211520 Beijing ZHONGGUO XINWEN SHE in Chinese 1339 GMT 21 Aug 85

[Report by Wu Yi and Tian Di: "Wang Hai Says the Chinese Air Force Will Become a Crack Air Force After Streamlining and Reorganization" -- ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 21 Aug (ZHONGGUO XINWEN SHE) -- Wang Hai, the newly appointed commander of the Chinese Air Force, said here today that the People's Air Force is resolutely responding to the Chinese Government's call for reducing the size of the Army by 1 million men and will reduce the number of men and officers as required and replace some outdated facilities and equipment. The funds thus saved will be used to develop modern technological facilities. The People's Air Force will become a crack Air Force with a greater combat strength after streamlining and reorganization.

Wang Hai said the above at a forum which was held to mark the 40th anniversary of the victory of the war of resistance and which was attended by Beijing people involved in aviation.

As a result of the construction in the past decades, he said, the People's Air Force of New China has become a modernized combined force with considerable combat strength. The number of fighter planes at its disposal is the third largest in the world. In addition, it manufactures most of its necessities. We have proceeded beyond that part of history in which our Air Force relied on imported facilities for development. We are confident that we can protect our territorial air space and our national dignity with our own strength. Airplanes of aggressors ran rampant in our sky 40 years ago. This scene will not be seen again.

In addition to developing modern technology and facilities, he continued, the People's Air Force will at the same time speedily update its knowledge, strengthen the training for ground troops supported by several types of airplanes, and speed up the building of an automatic command system in order to gradually build the People's Air Force into a crack Air Force which is organizationally simple, which can be flexibly deployed, which is well equipped, well trained, capable of reacting quickly, and highly efficient, and which has great combined combat strength. It can be foreseen that as a result of streamlining and reorganization, the combat strength of the People's Air Force will be up to even higher standards and that the Air Force will become another Great Wall in the air protecting the motherland and its "four modernizations."

RENMIN RIBAO EDITORIAL ON CAPITAL INVESTMENT

HK210715 Beijing RENMIN RIBAO in Chinese 13 Aug 85 p 1

[Editorial: "Exercise Caution in Making Unified Arrangements -- On the Unity of Macroscopic Control and Microscopic Flexibility"]

[Text] The scope of the country's investment in fixed assets has been continuously expanding since the last quarter of 1984. The capital construction during the first half of this year was much more than that in the same period last year, and exacerbated the overall shortage of steel, timber, cement, energy and transportation. The large investment caused a decrease in the country's completion rate of projects. It also indirectly boosted consumer funds. This problem aroused the attention of central authorities, and corresponding measures were promptly taken in order to maintain the continuous, steady, and harmonious development of the national economy. To provide a good economic environment for the reform of the economic structure, we must resolutely exercise control over the scope of investment in fixed assets and conduct necessary readjustment in the investment structure of capital construction based on the planning of the central government.

The expansion of the scope of investment in fixed assets has demonstrated that some of our comrades have not yet mastered the unity between macroscopic control and microscopic flexibility. The recent conditions have shown that many departments and local offices have increased extrabudgetary expenditure at a rate far higher than the expenditure within the budget; local capital construction projects exceeded the number of projects designated by the central government, and in China's total investment amount, local fund accumulation and bank loans exceeded the state plan. The plans were due to the failure of some local and department leaders to invest with consideration of the instructions of the Central Committee and the State Council on strengthening macroscopic control while laying greater stress on microscopic flexibility. Macroscopic control and microscopic flexibility are a unity, and neither should be overemphasized at the expense of the other. When we talk of "microscopic flexibility" with regard to the control of the scope of capital construction, it is because concentration and unification were overstressed in the past, and the state's control was too wide and too rigid, which dampened the enthusiasm of the local offices and enterprises, and affected the smooth development of construction. However, in the reform of the system of control over capital construction and the implementation of microscopic flexibility, we should by no means stress flexibility one-sidedly and relax unified control; and macroscopic control must be stressed simultaneously. Otherwise, the comprehensive balance in financial and material resources will inevitably be lost if each does things in his own way, conducting capital construction projects arbitrarily, although microscopic flexibility is achieved. Thus, not only the macroeconomic results will be affected but the microeconomic results will not be ideal.

In order to strengthen macroscopic control, we must focus on correcting the one-sided pursuit of high indexes and high rates of development. Disregarding the practical capability of their financial and material resources, may local offices and enterprises have compared their developmental rate with others', have been overanxious for quick success, and have made their scope of construction too wide. In their investment orientation, they have blindly developed the processing industry, turning out high-priced products that will bring in good profits, disregarded macroscopic results, while neglecting the development of such base industries as energy resources and transportation. Superficially, microeconomic results went up for a time, but in essence, it has had harmful social effects.

Some cadres lack the concept of the interests of the whole in economic construction, and they are not being cautious enough in making a strategic decision, often failing to take care of many things at the same time. We should strengthen education among them and make them rectify their understanding as quickly as possible. A leading cadre of the central authorities pointed out profoundly, being overanxious for quick success, expending great effort on things in the first decade when they should be handled in the second decade, conducting capital construction arbitrarily, all this will possibly lead to the confusion of the whole economy.

The scope of investment in fixed assets must be arranged with overall consideration. From now on, the examination and approval of capital construction projects must be carried out strictly according to the regulations; and a comprehensive balance must be achieved by starting from the whole situation. We should take into consideration needs as well as what is possible. We should refrain from blindly building repeated projects of a low level. Otherwise it will certainly continue to prolong the line of capital construction, with limited funds and materials lost without any good reasons.

Strengthening the control of loans for capital construction and self-raised funds of enterprises is also an important link for strengthening macroscopic control. Not so long ago, all banks were vying to make loans for capital construction which inevitably expanded investment and was unfavorable to the control of the scope of investment in extra-budgetary capital construction. On this, the central government has drawn up an explicit policy: From now on, investment in capital construction in all localities must be restricted with the approval plan with no breakthrough allowed. The use of funds for capital construction collected by local units themselves should also be controlled, and the state regulations of "examination before deposit, deposit before approval, and approval before utilizing the funds" should be implemented. All banks must actively implement these policies, and immediately bring about strict control of loan-making.

Collecting of funds by local units and strengthening horizontal ties is a good solution to the insufficiency of construction funds. However, we must strengthen management and leadership, and work in a planned manner. Such funds are not to be collected arbitrarily, and their scope must be included in the national plan as well.

The principle of seeking truth from facts should be implemented in strengthening macroscopic control. All projects which are under way or at the initial stage should be under examination one by one in earnest. Those less important capital construction projects should be postponed or canceled. On the one hand, we should not require unanimity in everything; on the other, we must be determined to cut those irrational construction projects so as to guarantee the supplies of energy resources, transportation, and raw materials for the construction of planned key projects and to promote the proportional development of national economy.

#### ARTICLE NOTES EXAMPLES OF COOPERATIVE REFORM

HK210930 Beijing RENMIN RIBAO in Chinese 12 Aug 85 p 5

[Article by Kong Qingyan: "The Reform of Supply and Marketing Cooperatives as Viewed From Several Specialized Cooperative Organizations"]

##### [Text] The Rise of Rural Specialized Cooperative Organizations

In the last 2 years, in the course of the rural areas moving onto the track of a commodity economy, in the various localities there have emerged in succession a group of specialized cooperative organizations formed on the basis of household management. Some of them formed combinations of multilevel management by relying on supply and marketing cooperatives. They are as follows:

The Xiaoshan County beekeeping company in Zhejiang Province, relying on the local products and fruit company run by the county supply and marketing cooperative, is composed of 20 persons in charge of beekeeping groups (representing 361 households specializing in beekeeping). The company puts purchase of capital goods for agricultural production and sale of its products under unified management and jointly processes honey products with a pharmaceutical factory in Hangzhou City.

The Yuqian cotton paper associated operation office in Linan County, relying on the county-run special local products company, was formed by 19 cotton paper cooperative factories. The company buys the main raw and semifinished materials from other provinces, markets its products, and conducts technical exchanges in a unified way.

The broad masses of peasants in Yukang County have formed a cotton and jute producers purchase and sale association, by relying on the special local products company run by the county supply and marketing company. The association specially provides cotton and jute growers with fine seeds and market information, sets prices for their products through consultation, and helps its members in expanding sales.

With the exception of the association which is quite loosely organized, the above-mentioned organizations have, more or less, the following characteristics in form:

1. They are formed by laborers voluntarily on the basis of specialized production, with all members contributing before- and after-production services. Some are set up with members mainly contributing labor or both labor and funds. Free from the intervention of administrative departments, they are really mass economic organizations.
2. Not being restricted by administrative divisions, they are transregional economic combinations of the same trade.
3. They do not change the former relationship of property and they practice unified or separate management or a combination of the two in business operation. Some organizations carry out production in a decentralized way but put supply and marketing as well as processing under unified management. Others assign production tasks to individual workers in the group (for example, the work is divided according to working procedures among the cotton paper manual workers who are concentrated in a workshop) but assign supply and marketing tasks to collective groups in a unified way.
4. They practice democratic management. The general practice is that specialized households and supply and marketing cooperatives separately send their representatives to form a board of directors and institute a system under which a manager assumes full responsibility under the leadership of the board of directors, which makes decisions on important matters through discussion.

They carry out distribution work in a rational way. In the form of distribution, apart from the portion to be used as payment for wages, some profits from their operations are returned to their members in accordance with the amount of labor contributed or product value; others are retained as enterprise accumulation funds, and still others are distributed as dividends among members according to share capital.

Practice has shown that these specialized cooperative organizations have produced economic results in their operations to varying degrees, solved the problems that cannot be solved by specialized households or small associated operations and also resolved the contradiction in economic interests between supply and marketing cooperatives and the peasant masses, thus becoming consolidated and making advances. The beekeeping households and cooperative paper factories which joined the Xiaoshan County beekeeping company and the Yuqian cotton paper associated operation office this year have all shown fairly big increases in number.

#### Reform Orientation of Supply and Marketing Cooperatives

The rise of the above-mentioned cooperative economic organizations has enlightened us on the following subjects:

1. Formation of cooperatives is the only way for small-scale production to move to socialized mass production. Developing the rural commodity economy and the cooperative economy are identical. However, the forms of cooperatives must suit the requirements of the commercialization and specialization of production so as to achieve coordination of form and content.

Family-run businesses under the system of public ownership of land are the basic level of the rural cooperative economy in China and also independent rural commodity production units. Nevertheless, in the course of developing commodity production, they need a wide range of socialized services. The more production is specialized, the greater its dependence on socialized services. Establishing specialized cooperative organizations in the before- and after-production service links is an important form of solving this problem. The above-mentioned specialized cooperative organizations are in fact specialized supply and marketing cooperatives or specialized service cooperatives.

2. Supply and marketing cooperatives are originally the cooperative organizations of the peasant masses in the before- and after-production service links. Enjoying a relatively sound commercial reputation, they have a tradition of supporting rural commodity production and ready business facilities, and are capable of providing help and service information, processing, storage, transportation, technological and operational guidance, and in funds. They occupy an important place in the commodity production service system. Supply and marketing cooperatives must and can play a guiding, intermediary, stimulative, and catalytic role in the commercialization and collective transformation of the rural economy. Comprehensive supply and marketing cooperatives and socialized cooperative organizations are not mutually exclusive and can be amalgamated. No doubt it will not work for supply and marketing cooperatives to monopolize everything but it is also not desirable to set up a separate kitchen by discarding supply and marketing cooperatives from an overall viewpoint.

3. The organizational form, operational set-ups, and business methods of supply and marketing cooperatives must be reformed, readjusted, and improved in line with the specialization of production. This must be the orientation of the thorough restructuring of supply and marketing cooperatives. At present supply and marketing cooperatives still preserve their organizational form of the 1950's. They combine purchase and sale and carry out operations comprehensively. Their business methods are purchasing farm and sideline products from the peasants and providing the latter with means of production and of subsistence. In the situation in which the rural economy is still in a state of semi-self-provision in production and the quantities of commodities are not large, comprehensive supply and marketing cooperatives can make things convenient for the peasants to buy what they need and to sell what they produce and make full use of the existing personnel, funds, and facilities, thus contributing to the improvement of enterprises' economic results. However, this organizational form also has rather serious shortcomings. They mainly include rough division of work in trade, an excessive business scope, lack of professionally competent staff and workers, meticulous operations, and an adequate professional and technical level, and poor service. With these shortcomings, the comprehensive supply and marketing cooperative, more often than not, attends to one thing and loses sight of another and finds it difficult to suit the needs of the specialization of production. Consequently, it is difficult to link the results of comprehensive management directly with the economic interests of cooperative members. As for cooperative members, apart from benefitting from the practice of comprehensive distribution of dividends according to share capital, they will gain nothing else from the sale of their farm and sideline products to the supply and marketing cooperatives, whether they are in large or small quantities or whether they are readily marketable or not. Therefore, the cooperative members are not concerned about the undertakings of their cooperatives. Particularly in the situation in which production in the rural areas is being carried out on the basis of commercialization and specialization and rural markets are being opened wider and wider, the peasants are more concerned about the selling prices of farm and sideline products.

They want to get the maximum value they created by their labor, to reduce the deductions in intermediate links, and to select the service departments that are up to standards. The structural reform of supply and marketing cooperatives carried out in the previous stage has not yet fundamentally solved this problem. To run supply and marketing cooperatives really as cooperative commerce collectively owned by the peasants, to closely link supply and marketing cooperatives with the peasants in terms of economic interests, and to run the cooperatives as rural comprehensive service centers, it is necessary to reform, readjust, and to improve their organizational form and operational set-ups and methods and necessary to strengthen the aspects suitable to and to reform those unsuitable to the current situation, to develop the advantages of comprehensive management while avoiding its shortcomings, and to develop supply and marketing cooperation in specialized fields and cooperation in other service links by relying on comprehensive supply and marketing cooperatives.

1. The existing organizational form of comprehensive supply and marketing cooperatives should continue to be preserved. Some aspects of the form, such as the supply of means of subsistence should be suited to the changed rural consumption structure and keep abreast of the trend of purchasing power moving to cities and towns. The construction of comprehensive markets should be augmented.

2. The institutions trading in farm and sideline products and in the means of production should be elaborately separated and they should render serialized service on the basis of division of labor according to specialized lines of production. For example, in order to organize and support the peasants in developing the production of edible fungus, in 1983 the Fuyang County Supply and Marketing Cooperative specially set up an edible fungi company which was responsible for providing fungi spores, nutriments, technical guidance, processing, transportation, marketing, and other services. As a result, the area of land on which edible fungi were cultivated expanded from 220,000 square chi in 1982 to 6 million square chi this year. An income of 10 million yuan is expected. In this way, the company has established close ties with over 16,000 fungi growers throughout the county. The Nanxun Supply and Marketing Cooperative in the suburbs of Huzhou City set up a livestock and poultry fine breed company which was responsible for providing specialized households in a coordinated sequence with such services as fine breeds, compound feed, the prevention and cure of livestock and poultry diseases, and marketing. The company has played a big role in promoting the development of the local production of livestock and poultry.

At the same time, the present operational method of some farm and sideline products can be replaced by a commission agency as the peasants demand so as to reduce the deductions in commodity circulation and to enable the producers to gain more earnings.

3. With regard to the commodities whose conditions are ripe, we should seize the opportunity and make the best use of the situation to establish various forms of specialized cooperative organizations on the basis of household or combined management with the stress on supplying services before, during, and after production in accordance with the principle of voluntary participation and mutual benefit. These cooperative organizations must practice both unified and separate management or the combination of the two and combine supply, production, and marketing closely; integrate democratic management by cooperative members with the practice under which managerial personnel assume full responsibility; institute rational distribution methods; and they must introduce the system of depreciating fixed assets and retaining some profits for public use.

These specialized cooperative organizations can establish intercounty or transcounty specialized joint cooperatives by relying on the grass-roots supply and marketing cooperatives (including the companies under their jurisdiction). The formation of various specialized cooperative organizations can forge closer economic relations between supply and marketing cooperatives and the broad masses of peasants and stimulate the development of the rural economy.

GUANGMING RIBAO ON NEED TO STUDY FOREIGN SYSTEMS

Critical Study Urged

HK210933 Beijing GUANGMING RIBAO in Chinese 10 Aug 85 p 3

[Article by Yu Guangyuan: "Absorbing, Using for Reference, and Developing -- Preface to 'Lectures on Commenting on Modern Economic Ideological Trends in Foreign Countries'"]

[Text] It is a matter of great significance for the political section and propaganda section under the General Staff Headquarters, and for the publishing house in charge of translating military documents to edit and publish the two books entitled "Lectures on Modern Economic Ideological Trends in Foreign Countries" and "Lectures on Modern Philosophic Ideological Trends in Foreign Countries." Of course, it is impossible to carry out our socialist modernization program under the conditions of separating ourselves from other countries in the world. It is necessary to know more about foreign countries, including their academic views, such as philosophic views, economic views, and so on. In the meantime, the creation of the culture of mankind is carried out in many countries. Even sciences which are developed in foreign countries can be used for reference in the interest of our socialist construction. In the course of developing Marxism, we encounter a problem similar to that we met with when Marxism was taking shape. In other words, we should absorb useful things from various aspects as nourishment for our own development. Of course, we should on no account forget to adopt a critical attitude. We should not be "defeated by abuse," or "grovel at the feet of foreigners." It is always wrong to copy foreign things uncritically. A number of economic and philosophic thoughts of foreign countries developed out of the stand, viewpoints and methods of the bourgeoisie. However, we should not seal off ourselves fearing the influence of these erroneous thoughts. We should study and treat them critically. With the attitude of getting in touch with various ideological trends in foreign countries, I believe that we can derive great benefits.

Importance of Studying Capitalism

HK211444 Beijing GUANGMING RIBAO in Chinese 14 Aug 85 p 3

[Article by Li Qiang: "It Is Necessary To Pay Attention to Studying Contemporary Capitalism"]

[Text] Over the past few years, some progress has been made in the teaching and study of scientific socialism in light of China's socialist construction. However, the study of contemporary capitalism still remains a weak point. The educational materials concerning scientific socialism basically remain at the level of explaining Marx' and Lenin's works on the proletariat, revolution, strategy, policy, and the basic situation of capitalist society. This situation must be changed.

Scientific socialism is a branch of science which is closely related to reality and practice and can give guidance to practice. Unlike philosophy and political economics many of its theories are specific conclusions drawn from analyzing practical problems by using the basic principles of philosophy and political economics.

These conclusions can give direct guidance to practice and are dependent on practice. These conclusions vary greatly with different conditions. Therefore, they should undergo the constant test of practice. We can maintain the scientific nature of our conclusions only by constantly studying the present problems.

One of the basic theories of scientific socialism is the theory of the proletariat. Over the past century, great changes have taken place in the situation of the Western working class. Its composition alone is an example. In the United States, the proportion of manual laborers to the total number of laborers dropped from 82.4 percent in 1900 to 46 percent in 1979, while the proportion of white-collar workers rose from 17.6 percent to 54 percent. The changes in the mode of labor and other aspects have provided workers with new characteristics. For example, many of them have acquired a high level of scientific and cultural knowledge and are no longer engaged in simple, mechanical labor. Their independence in work has increased and disparity has arisen among them. Western academics have given various explanations for these changes. In line with the basic viewpoints of Marxism, we should make a practical and scientific analysis of the changes in the condition of the working class, study the viewpoints of Western academics, and point out their merits and demerits. Since the beginning of this century, the trade union movement has rapidly grown in the Western world. In 1979, members of the blue-collar trade unions in the United Kingdom increased by 5 million over 1911, while members of the white-collar trade unions increased twelvefold. Similar changes have taken place in other Western countries. Attention should be paid to the role of trade unions in Western countries. The improvement to today's level in the lives of Western workers is due to the powerful trade union movement. This in itself is a victory of the practice and theory of scientific socialism. Despite this fact, however, apart from repeating the general appraisals of the trade union movement given in Marx' and Lenin's works, the educational materials on scientific socialism do not consist of many new explanations.

The road of the proletarian revolution is another basic theory of scientific socialism. This writer is of the opinion that ways and means should be applied in line with the specific conditions of the country concerned. Marx always dealt with the road of revolution with specific purposes in mind. In 1872, in reference to the rapid development of the bourgeois democratic system in some countries, Marx pointed out that the workers of these countries "may possibly use peaceful means to achieve their goals." ("Collected Works of Marx and Engels," Vol 18, p 179) Proceeding from reality, Lenin pointed out that the peaceful transitional method proposed by Marx was no longer applicable, as in the early 1920's the democratic system in the United Kingdom and the United States had been destroyed and the warlord system was arising. What should we do today? We should not stick to some individual conclusions of Marx and Lenin, but should learn their scientific methods of analyzing problems. In this way we can understand that after World War II, the bourgeois democratic system grew vigorously in many developed countries. Since the late 1960's and the early 1970's in particular, the democratic force in Western countries has rapidly grown. Therefore, the possibility of peaceful development has increased.

Some new phenomena in capitalist society merit our attention. For example, in developed countries, the workers' participation in management has aroused popular attention. In the FRG, one-third of the members of the supervisory committee of an enterprise with fewer than 2,000 employees should be composed of the employees' representatives.

It is true that the capitalists use this to cheat the workers, but on the other hand, we should study it from a wider angle. Let us use another example: Western countries now have social welfare measures, and most of the developed countries provide free, compulsory education up to the senior middle school level. Over 100 years ago, when The British approved the "bill on the 10-hour workday," Marx pointed out that this was the victory of the principle of "social forecasting guiding social production" as well as the "first open surrender of bourgeois political economies to working class political economics." ("Selected Works of Marx and Engels," Vol 2, p.132) Now 100 years have passed and things differ greatly from the 10-hour workday referred to by Marx. This is an even greater victory for socialist principles. However, the educational materials on scientific socialism do not reflect this. They only explain that the nature of capitalism remains unchanged. This writer is of the opinion that it is necessary to stress the importance of reflecting the changes in the situation of the workers in capitalist society. Of course, we do not agree with the theory of negating the fundamental difference between socialism and capitalism, but it is necessary to study the quantitative change in capitalist society.

#### ARTICLE URGES SETTLING PEOPLE'S DAILY PROBLEMS

HK211430 Beijing GUANGMING RIBAO in Chinese 17 Aug 85 p 1

[Article by Liu Peng: "It Is All the More Necessary To Be Concerned About the Weal and Woe of the People in a Favorable Situation" -- excerpted from LILUN DONGTAI]

[Text] At present, people in a small number of localities are still living under difficult and poor conditions, and this state of affairs has often been neglected. We must remember that in a favorable situation, it is all the more necessary to show concern for the weal and woe of the people. The present situation in our country as a whole is indeed very good, and the living standard of most people is indeed continuously improving, but we should notice that many difficulties and problems still exist in the people's lives.

For historical and natural reasons, there are still some poor areas in our country. In those areas, many people have not been able to dress warmly and eat to their full, although the population of such poor areas accounts for just a small percentage of the national population. In other areas, natural disasters have caused difficulties and problems in people's way of life. Even in comparatively rich areas, the speed of economic development is uneven and there are some poor villages and poor households.

In addition, some new problems may appear in the course of reform and may bring difficulties and inconveniences to the people. We must affirm that the orientation of the ongoing reform is completely correct and the achievements of the reforms are obvious and remarkable. However, reform may disturb the old equilibrium, and it takes time to establish a new equilibrium. In the transition period, the people may encounter some new problems. For example, readjustment and reform of the price system and changes in the management system and some regulations may all cause such problems. Sometimes we are short on experience in coping with a complicated situation, or we underestimate how complicated things are, so it is unavoidable that one or another problem may appear in our work and may thus cause difficulties in the people's lives.

We should not get upset about the appearance of such problems. The majority of the public can lead a better life when the situation is good, and we tend to neglect the shortcomings and defects in our work and neglect the difficulties and problems in the people's lives. Some leading comrades only concentrate on production, targets, and growth rates, and pay little attention to the difficulties and problems in the people's lives. Some cadres are only keen on helping rich households but forget the need to help poor households. We must really correct this work style.

Being concerned with the well-being of the masses and being closely tied to the interests of the masses is a fine tradition and work style of our party. In the hard years of the revolutionary wars, our party was always deeply concerned with all aspects of the lives of the masses and tried by every possible means to help the people overcome the difficulties in their daily lives. In the new historical period, our conditions in all aspects are much better than before and the problems in the people's daily lives are different from those in the past. However, we must continue to carry forward the fine tradition of being concerned with the weal and woe of the people. We should regard the settlement of problems concerning the people's vital interests as an important part of our routine work and should work seriously to solve these problems. Only thus can we maintain close ties between our party and the masses and can we arouse their enthusiasm for the cause of the four modernizations. However, some of our comrades have given up this fine tradition of our party and show an indifferent attitude toward the difficulties and problems in people's daily lives. They either pass the buck or simply procrastinate in dealing with these matters. Some cadres only care about making themselves rich and give little consideration to the weal and woe of the masses. They even make use of their own powers and functions to pursue their selfish gains at the expense of the interests of the masses. More serious is the fact that some people even take this state of affairs as a common occurrence rather than a problem. Thus people's difficulties and problems cannot be solved for a long time. These cases show that it is necessary to conduct education in the party's mass viewpoint and mass line among these cadres.

If one is concerned with the well-being of the people, one should correctly handle the relationship between his responsibility to the higher authorities and to the general public. At present there is an abnormal phenomenon in the work of our cadres. Some cadres only hold themselves responsible to the higher authorities but not to their subordinate units or to ordinary people. They turn a deaf ear to the opinions and demands of the masses and mechanically and rigidly carry out all instructions from the higher authorities without regard to local conditions and the people's reactions. They even take coercive measures to implement these instructions. At the same time, they give no thought to the masses' actual difficulties. In some cases, the problems that adversely affect the vital interests of the masses are obvious. The masses have repeatedly called for early settlement of these problems, but the authorities concerned simply turn a blind eye to all this. It is not until the higher authorities give an instruction for the settlement of these problems that they immediately "pay special attention to" these problems. Why do the masses' voices attract little attention from the authorities concerned, while an instruction from the higher authorities on the exact same matter is so effective? We should integrate our responsibility to the higher authorities with that to the subordinates and the ordinary people and should orient all our work to the interests of the people.

To really show concern for the well-being of the masses, we must also go deep into the realities of life and go deep among the masses to discover and solve problems.

Some of our comrades are now immersed in meetings and documents, and they rarely go out of their offices to see what is happening among the people, so they have no idea about the difficulties in the people's daily lives. Some other comrades sometimes make an inspection tour of the grass-roots units, but only listen to reports about achievements and successful experiences and show little interest in the difficulties and problems in the lives of local people and various problems, so they cannot discover the troubles. Still other comrades just like to visit the economically developed and rich areas and called on the "ten thousand yuan households," but seldom visit poor areas and talk with poor families. Some cadres focus all their attention on production and business, and they seldom go to see the state of public canteens, student dormitories, and staff quarters. All the above cadres cannot hear the voice of the masses and do not know the weal and woe of the people. They may even argue that their attention should be focused on major affairs rather than being distracted by trivial affairs, so they only talk about principles and do not deal with concrete matters. As a result, the principles they advocate are merely empty talk and cliches. A few years ago, a city party secretary was praised for his efforts to ensure the supply of bean curd; recently, some mayors personally dealt with the issue of improving the conditions of public lavatories and public baths. The people have made favorable comments on these leaders' efforts to smooth out difficulties in the people's daily lives. Indeed, their down-to-earth work style is commendable. Their deeds reflect our party's fine tradition and work style under the new historical conditions.

We must work seriously to help the people solve difficulties and problems in their daily lives. To do so, we should make painstaking investigations and analyses, work out realistic plans, and then solve the problems one after another. This is an important issue that concerns the consolidation and development of the present good situation, the mobilization of the masses' initiative, and the smooth development of our socialist modernization drive.

#### DENG YINGCHAO ON SECRET TRAVELS WITH ZHOU ENLAI

HK211228 Beijing RENMIN RIBAO in Chinese 14 Aug 85 p 4

[Article by Deng Yingchao: "An Account of Meeting and Escaping Danger"]

[Excerpts] Dalian, 1 Aug -- In 1928, our party decided to convene its Sixth National Congress in Moscow in the Soviet Union. The decision was made because the situation of that time did not allow holding the meeting inside China. Delegates to the congress were requested to leave for Moscow in groups via Dalian and Harbin.

Comrade Zhou Enlai was elected a delegate to the congress and the party organization decided that I would attend as a nonvoting delegate. We left Shanghai on a Japanese ship in early May.

When the ship made an overnight stop at Qingdao, passengers were permitted to go ashore. Comrade Enlai and I had lunch downtown, and then we returned to the ship with a basketful of newspapers. This probably aroused the attention of Japanese scouts. When the ship anchored in Dalian Harbor and we were getting ready to go ashore, some Japanese marine police stationed in Dalian came aboard to question us. They first asked the occupation of Comrade Enlai. He said that he was a businessman in curios (actually, we did not even have one antique in our luggage). When they asked why a businessman would buy so many newspapers, we said that we had bought them to kill time on the ship. Then they followed up with other questions: "Where are you going?" "Jilin." "Why are you going there?" "We are going to see our uncle." After a while, they asked Comrade Enlai to go with them to the Marine Police Office.

In the office, they once again questioned Comrade Enlai's birthdate, resume, and occupation. The questioning continued: "What is the surname and given name of your uncle?" "He is called Zhou Manqing." "What is he doing?" "He works as a section member of the provincial government Department of Finance." "Since your uncle's name is Zhou, why is yours Wang?" Comrade Enlai said: In China the names of a mother's brothers and a father's brothers are different, but foreigners call both of them uncles. This is why the name of my mother's brother is Zhou and mine is Wang. But the questioner said: I think your name is not Wang but Zhou and you are not a businessman of curios but a soldier. Comrade Enlai then stretched out his hands and said: Do you think that I have the hands of a soldier? They looked his hands time and again and then opened a drawer to find a namecard and said: You are Zhou Enlai. Enlai asked them in reply: Do you have any proof? My name is Wang and I am called Wang so-and-so. Such a volley of questions did not faze Comrade Enlai; he took them very calmly. Why did they suspect him of being Zhou Enlai? They probably knew that Zhou Enlai held a post at the Wampao Military Academy, and there was his namecard related to the post.

I was not asked to go to the Marine Police Office with Comrade Enlai, but I did not think it was suitable to let him go alone, so I said I would go there with him. Enlai got angry and said: Do not go with me. What can you do by following me? Then he asked the responsible person of the police office to find a hotel room for me and send me to the hotel first.

After he was questioned, Comrade Enlai asked the Marine Police Office to buy us two train tickets for Changchun (we intended to transfer trains at Changchun to Jilin). After we got the tickets, we went to the railway station on time. However, when we took a seat on the train, we found a Japanese passenger sitting opposite us. He tried to chat with us in Chinese and we did not refuse him. We could tell that he was trailing us. When we alighted from the train, he gave Enlai his namecard. The Japanese were accustomed to exchanging namecards (I learned this later). Enlai should have returned a namecard. Usually people put their namecards in the small upper pocket of a Western-style jacket. We did not have any namecards, but Enlai pretended to look for them and said: "Oh! I am sorry, but my namecards are not in my pocket, they are in my luggage." When he moved as if to get one, the Japanese said that there was no need to bother. After we arrived in Changchun, it seemed that he no longer trailed us. After we checked into a hotel, Comrade Enlai immediately changed his clothes and put on a long gown with a mandarin jacket, and shaved off his mustache. When we arrived in Jilin, we did not dare to go see the elder brother of Enlai's father directly. We stayed in a hotel first and had a letter sent to him. As it happened, Enlai's third younger brother recognized his handwriting. He immediately came to the hotel and accompanied us home.

Thanks to the quick wit, cool head, and calmness of Comrade Enlai in dealing with the enemy's questioning, we successfully escaped the danger we met on our way from Shanghai to Harbin. However, we destroyed the certificates identifying us, and we could not get in touch with the persons concerned in Harbin. Fortunately, delegates to the "sixth congress" were to leave for Moscow group by group. We knew that the group following ours included Comrade Li Lisan. Therefore, we had to wait for Comrade Li Lisan at the railway station every day. A few days passed, but we did not meet him. This worried us very much, but we had to keep on waiting at the railway station. Finally we met him and contacted foreign friends in Harbin through him. We then left Harbin for Moscow to attend the sixth party national congress.

I can happily recollect this event even after 57 years in Dalian, which is now in the hands of the people. I am particularly gratified at this.

STATE COUNCIL APPOINTMENTS, DISMISSELS RELEASED

OW211150 Beijing XINHUA Domestic Service in Chinese 0909 GMT 21 Aug 85

[Text] Beijing, 21 Aug (XINHUA) -- The State Council on 12 and 26 July and on 5 August appointed and removed a number of state organ personnel.

Appointments:

Liu Zhongyi as vice minister in charge of the State Planning Commission;  
Tong Zengyin [4547 6362 6892] as vice president of the People's Bank of China;  
Ling Yuxun [0407 3022 8113] as director of the State Bureau of Materials and Equipment;  
Yan Hongmo as director of the State Oceanography Bureau;  
Wang Deyan [3769 1795 5888] as president of the Bank of China;  
Zhang Xiao (female) as president of the Industrial and Commercial Bank of China; and  
Ma Yongwei [7456 3057 0251] as president of the Agricultural Bank of China.

Removals:

Peng Min from the post of vice minister in charge of the State Planning Commission and  
He Kang and Zhao Dongwan from their concurrent posts as vice ministers in charge of the  
State Planning Commission;

Yang Jun from the post of vice minister in charge of the State Scientific and  
Technological Commission;  
Zheng Xiwen and Li Shisheng from their posts as vice ministers of the Ministry of Justice;  
Li Fei and Zhu Tianshun from their posts as vice presidents of the People's Bank of  
China;  
Yang Keng from the post of vice minister of the Ministry of Machine Building Industry;  
Li Kaixin from the post of director of the State Bureau of Materials and Equipment;  
Luo Yuru from the post of director of the State Oceanography Bureau;  
Chen Li from the post of president of the Industrial and Commercial Bank of China; and  
Han Lei from the post of president of the Agricultural Bank of China.

ANHUI CADRES PUNISHED FOR FLEECING FISH BREEDER

HK150650 Beijing CHINA DAILY in English 15 Aug 85 p 3

[Text] Pressure from the news media has led to severe punishment of several cadres in southern China who helped a handful of greedy farmers to fleece a successful fish breeder.

The latest dispatch by the ECONOMIC REFERENCE newspaper said reports filed by several major papers based in Beijing on the plunder of fish breeder Liang Chenqiang's property, money and more than 5 tons of fresh water fish rocked Liang's hometown in Wuwei County, Anhui Province, when they were published in early June.

Letters poured into the newspapers demanding punishment for those involved in the thievery, especially those officials who backed up the plunderers and then covered up the case.

The county government of Wuwei soon launched an investigation and now confirms newspaper reports. Xiao Benxue, Party secretary of Nandu Village, who gave his direct and full support to the plunderers, has been stripped of his Party membership. Fan Shouhao, head of Hongqiao Township who backed up Xiao and ignored the fish breeder's appeal for justice, has been sacked. Three other local officials were given serious warnings and ordered to repent, the ECONOMIC REFERENCE newspaper said.

Xiao faces trial in a local court and the farmers who robbed the fish breeder's home and grabbed his fish were fined.

Liang was assured by the county government that his fish-breeding contract on the pond was protected by law. Last year, Liang contracted for use of an abandoned fishing pond. He got permission from the village and met all legal requirements at the county's judicial bureau. He and his family worked hard for four months before the pond was teeming with big fish. On September 24, one of the village Party secretary's relatives came to fish in the pond and got into a fight with the guard hired by Liang. Party secretary Xiao then went to the pond and beat up the guard. He then spread the rumor that Liang had beaten his relative. The Hongqiao Township government, without looking into this matter, fined Liang 130 yuan.

On November 19, when Liang asked some locals to help him net the fish in his 13-hectare pond, more than 60 boats came. Led by a relative of the Party secretary, the boatmen loaded their boats with big fish and then fled. The standard practice is for the fish breeder to divide the catch with his helpers. In this instance, the breeder was left empty handed.

The next day, Xiao Benxue sent his relatives to Liang's home, where they allegedly beat two of Liang's children and walked off with 340 yuan. Liang appealed for justice to authorities at various levels. Discouraged, he asked only to terminate his contract. Only when the press intervened did the local authorities act differently towards Liang.

A commentary in ECONOMIC REFERENCE newspaper pointed out that Liang's case is not rare in the rural areas where more prosperous farmers are often stripped of their property by jealous neighbours. Not long ago, PEOPLE'S LIBERATION DAILY reported a former farmer who had saved enough money to buy a truck and a bus was forced to give local farmers and cadres free rides and transport services.

SHANDONG'S LI BOFENG ON TECHNICAL RENOVATIONS

SK220503 Jinan DAZHONG RIBAO in Chinese 29 Jul 85 p 2

[Article by Li Bofeng, chairman of the provincial Economic Commission: "On Several Questions Concerning Technical Renovations During the 'Seventh 5-Year Plan' Period"]

[Text] In 1986, our country will enter the period of the "Seventh 5-Year Plan" for economic and social development. The State Council has put forward that our country will regard as major tasks the programs of conducting technical renovations among the existing enterprises and rebuilding or expanding them from the period of the "Seventh 5-Year Plan" to the early stage of the "Eighth 5-Year Plan." This policy decision of strategic importance has been put forward in order to sum up the positive and negative experiences and lessons gained by our country in economic construction. The earnest implementation of the strategic policy decision has great significance in making the economy flourish and accelerating the pace of building the four modernizations.

At present, our province has more than 21,000 industrial enterprises and fixed assets worth some 34 billion yuan. These industrial enterprises have a complete range of product lines and turn out more than 18,000 major products. In 1984, the province was ranked fourth in the country in total industrial output value, showing that the province has a good foundation in industrial production. In particular, the province has enabled a large number of enterprises to reach a higher level in production technology by conducting technical renovations during the period of the "Sixth 5-Year Plan." They have expanded their production capability of more than 5,000 products in short supply or of famous trademarks, upgraded the quality of more than 2,000 products, re-newed and improved over 46,000 pieces of equipment, adopted more than 1,700 new techniques and technology items, and have set up 250 relatively advanced production lines. Over the past 5 years, the province has increased output value by 12 billion yuan and taxes and profits by 2.4 billion yuan. According to initial statistics, the per-10,000-yuan investment in technical renovations may result in a 20,000 yuan increase in output value and a 5,000 yuan increase in taxes and profits. This has shown that technical renovations actually constitute a new road of investment savings, shortening the economic cycle, turning out output value rapidly, and of bringing about good economic results.

However, we should note that our province's industrial technical foundation is still relatively backward. This is due chiefly to old equipment, low level production technology, relatively backward product structure, poor product quality, few varieties of products, low rate of material resource utilization, serious industrial pollution, and lower fulfillment compared to the national advanced level in a number of targets of economic results. All of this does not meet the challenge of the new technical revolution, nor does it meet the goal of quadrupling the total industrial and agricultural output value by the end of this century. Therefore, by bearing in mind the actual situation prevailing in the present industry, our province should begin to work out overall plans, to make rational arrangements, and to concentrate its efforts on doing a good job in conducting technical renovations among the existing enterprises. In line with the construction principle put forward by the State Council for the "Seventh 5-Year Plan" period and the demand set forth by the provincial CPC Committee and the provincial people's government, we must pay attention to dealing with the following questions with regard to conducting technical renovations during the "Seventh 5-Year Plan":

1. Efforts should be made to straighten out the guiding ideology of conducting technical renovations during the "Seventh 5-Year Plan."

First, we should conduct technical renovations among the existing enterprises and expand production while upholding the main task of tapping the latent power of enterprises and increasing productivity. Localities and departments should concentrate financial and material resources on mapping out measures suitable to local conditions for conducting technical renovations. They should also do a good job in making arrangements for conducting technical renovations among the existing enterprises. Hereafter, we should not engage in capital construction if the problems can be solved through technical renovations, and should not engage in new construction if the problems can be solved through expansion and rebuilding undertaken by the existing enterprises. Second, the work emphasis of conducting technical renovations during the "Seventh 5-Year Plan" period should be placed on improving quality and on the replacement and renewal of technical and product standards. In measuring the achievement scored in technical reforms, we should not examine whether the enterprises have newly increased their capability and output value, but should examine whether they have reached the technical standard of the advanced countries from the period of the late 1970's to the early 1980's, whether they have improved the quality and function of their products, whether they have increased the variety of products, and whether their products have entered the competition of international markets. Third, efforts should be made to foster the idea of taking simultaneous action in reforming traditional industries and developing new ones. We should not seek the highest, most precise, and most advanced technology one-sidedly by turning a blind eye to the country's capability and to the program of conducting technical renovations among the traditional industries. Nor should we let slip a golden opportunity of the new technical revolution by continuously applying outdated techniques and neglecting the development of new industries. On the contrary, we must grasp both tasks -- developing the technology, on the one hand, has a vital bearing on our future and developing the technology, on the other hand that can be applied in a wide range. Only by applying such an idea in guiding or arranging the program of conducting technical renovations and by accelerating the pace of technical progress among the enterprises in line with the overall plans will we be able to get twice the result with half the effort.

2. Efforts should be made to give priority to major items in conducting technical renovations and to make preferential arrangements for them. Judging from the situation prevailing in the equipment, technology, and product structure, the majority of the existing enterprises need to carry out an overall reform. Due to a shortage of funds and limitation of material resources, however, technical renovations must be carried out by stages and in groups, and by aiming at specific difficulties. Looking at industries and trades, we should first make arrangements for conducting technical renovations among machine-building and electronic industries. Other industries and trades may select a number of enterprises suitable as centers for crucial reforms in technical equipment and technology. They also may select a few key enterprises in which an overall reform can be conducted in order to set examples in the program and to encourage the industry as a whole to make technical progress. Looking at enterprises and products, we should give priority to arranging technical reforms at enterprises turning out export commodities in order to earn foreign exchange, to upgrade their technical level, lay a foundation for making the economy flourish in the 1990's, achieve good economic results, successfully deal with the problem of raw materials, enable their products to become "first" commodities, play an effective role during the "Seventh 5-Year Plan" period, make arrangements for markets, and to be able to increase reserve funds. We should make preferential arrangements in conducting technical renovations for these enterprises and their products. We should not make arrangements in this regard for those continuously producing out-dated machines, ordinary inexpensive products of average quality, and unsalable products.

3. Efforts should be made to accelerate the pace of introducing outside technology. In order to lay a good technical foundation for making the economy flourish in the 1990's, we must apply the advanced technology of the developed countries to improve our enterprises and to narrow the technological gap between the province and developed countries. In introducing outside technology we should first unify the introduction programs and make an overall arrangement in line with the trend of the new world technical revolution and the demand set forth by the state for conducting technical renovations. We should not introduce equipment if the technology can be imported, and we should not import whole sets of equipment if the key parts can be imported. In line with the demand for building technical structure at multiple levels, attention should be paid to introducing technology that is applicable and able to bring about good economic results. Second, we should closely integrate our exports with our imports, and the use of foreign exchange with its earning. We should also put the emphasis of introducing outside technology on the products and enterprises that can earn more foreign exchange. In making arrangements for programs introducing outside technology, we should also set forth the proportion of products that can be exported and the volume of foreign exchanges earned in exports. Third, we should adopt effective measures to strengthen the process of learning from imported technology.

The task for conducting technical renovations during the "Seventh 5-Year Plan" period is fairly arduous. Therefore, we must make an overall arrangement and strengthen leadership over the task. The economic commissions at all levels should actually be in charge of the management and conduct general and unified management over the program of conducting technical renovations. They should extricate themselves from their former practice of only sharing profits and goods, strengthen their macro-control over the programs of conducting technical renovations, and should upgrade the level of conducting macro-readjustment in technical renovations and working out policy decisions. They should also make concerted efforts to set up close cooperation with the departments of financial affairs, banking, and material supply in order to successfully conduct the program of technical renovations.

#### MANUFACTURED GOODS SALES UP IN SHANGHAI

HK220607 Beijing CHINA DAILY in English 22 Aug 85 p 3

[By staff reporter]

[Text] Shanghai -- Shanghai has reported a 39.4 per cent jump in retail sales of manufactured goods in the first six months of this year compared with the same period of 1984; a result of the city's freer economic system and structure.

The reforms have changed the economic structure in three major ways: goods circulate more freely, enterprises can become relatively independent economic entities, and State enterprises have surrendered their monopoly.

Apart from the traditional State run wholesale organizations and retail shops, three trading centres have emerged to help the flow of goods. In the first half of this year, the sale of consumer goods like colour televisions, electric fans, washing machines, and refrigerators increased 100 to 300 per cent.

INFERIOR IMPORTED GOODS FOUND IN ZHEJIANG

OW180422 Beijing XINHUA Domestic Service in Chinese 0900 GMT 17 Aug 85

[Excerpts] Hangzhou, 17 Aug (XINHUA) -- A large number of shoddy imported goods have been found in Zhejiang Province. According to the Commodity Inspection Bureau's statistics, 130 shipments of highly questionable imported goods were found in the province during the first half of 1985. Among them were inferior goods and incomplete orders.

A factory in Hangzhou purchased 25,000 electron guns used in manufacturing kinescopes from the Zhengda Trading Company of Hong Kong in January. According to the contract, the place of origin should have been Japan. When the cartons were opened, however, all the electron guns were found to have come from other places. Many of them even bore evidence of repair. Some had bent barrels which, if made into kinescopes, would result in distorted images. All told, the rejects accounted for 46.8 percent of the shipment. Another factory in Hangzhou imported a shipment of electronic time indicators from the Megshen Enterprise Limited company of Hong Kong in July. The shipment included 10,000 model No 901 indicators. An examination of 200 samples of those indicators by the commodity inspectors showed that only two were up to standard. Some, fitted with push button electric cells, failed to indicate time after a few hours. There were also 8,000 model No 905 indicators, 7,647 of which were found to be substandard.

Much of the imported machinery and equipment was in violation of contract specifications, defective, and inferior. An automatic tea packing machine imported by the Chunan tea factory from the Wako Limited Company of Japan came without a brand and without a photo-electric control system. Consequently, it would not function properly. Experts suspect that the machine had been rebuilt from an old one.

The Commodity Inspection Bureau has called for the prompt consolidation of commodity import work and strict inspection of imported goods.

RENMIN RIBAO ON SHENZHEN'S STRATEGIC PLAN

HK210935 Beijing RENMIN RIBAO in Chinese 12 Aug 85 p 5

[Article by Liu Guonguang: "Development of the Shenzhen Special Economic Zone Faces a New Strategic Stage" -- capitalized passages published in boldface]

[Text] In the article "The Strategic Objective of the Development of the Shenzhen Special Economic Zone" (published on page 5 of RENMIN RIBAO on 8 August 1985), I talked about the question of making a reasonable decision on the strategic objective for the development of the zone. After the strategic objective is decided, we must also draw up practical strategic plans and correctly define different stages for the attainment of the strategic objective so as to enable us to go forward step by step. Meanwhile, we must progressively sum up experiences in practice and keep improving our work of developing the special economic zone. In this article I would like to give my views on this issue.

**THREE STRATEGIC STAGES OF THE DEVELOPMENT OF THE SHENZHEN SPECIAL ECONOMIC ZONE**

The development of the Shenzhen Special Economic Zone can roughly be divided by three stages. The first stage, which covers the period from establishing the zone to the present, is a stage of making all necessary preparations or a stage of laying a foundation. The second stage, which will run from the present to around 1990, is a stage of development or a stage of getting the zone into shape. The third stage, which will begin around 1990 and run to the end of the century, is a stage for making further improvements.

The major tasks in the first stage are to absorb foreign funds, import modern technology and advanced management experiences, gradually build the small, backward border town into a place with a preliminary investment climate, and explore and accumulate some relatively successful experiences for our policy of opening up to the world.

The major tasks in the second stage are to change the domestic market-oriented economy into an export-oriented economy, mainly relying on foreign funds and giving priority to export; to change the production setup that focuses solely on trade into a production setup that gives priority to industrial development and focuses on both industry and trade; to develop a small number of industrial enterprises with high technology in a selective way; and to transform traditional industries with modern technology and equipment.

The major tasks in the third stage are to complete the technological transformation in traditional industries and to accomplish the work of changing labor-intensive industries into technology- and knowledge-intensive industries so that the high technological industries will take up a proper proportion of the economic structure.

In mapping out strategic plans, we must take into account the important factor of resuming our exercise of sovereignty over Hong Kong by 1997. We must make every effort to minimize the gap in the entire social and economic development by the end of this century that has been left over by history between Shenzhen and Hong Kong. Shenzhen should strive to reach the medium level and even surpass Hong Kong in some aspects of development. This will make relations between Shenzhen and Hong Kong closer while they work hand in hand to promote the motherland's modernization to a higher level.

## CORRECTLY ASSESS THE WORK IN THE FIRST STRATEGIC STAGE

At present Shenzhen is on course to move from the first stage of strategic development to the second stage. In order to meet the needs of achieving the strategic targets set for the development of the zone in the second and third stages, it is necessary to make a correct assessment of the work done in the first stage.

In 5 years the Shenzhen Special Economic Zone has completed the first stage of laying a foundation for its development. First, it has built an infrastructure for 32 square miles and a large number of factory buildings, dormitories for workers, commercial buildings, as well as tourist, education and cultural, and public health facilities. A new, modern city has suddenly appeared on the horizon. Second, as of the end of 1984, it had concluded 2,218 agreements with foreign businessmen with a HK\$11.6 billion investment, accounting for one-seventh of the total foreign investment in our country. Of this, HK\$4.1 billion has been used for economic construction. Meanwhile, it has also imported a lot of fairly modern technology and equipment. Third, large numbers of technical and managerial personnel have been absorbed and trained. As of the end of 1984, the zone had more than 12,300 qualified personnel in different special fields. Fourth, in light of the principle "special things should be done in a special way, new things should be done in a new way, our position should remain unchanged, and we should adopt all the more new methods" and the principle of "breaking with the conventional structure," we have boldly reformed the administrative structure, the personnel system, the wage system, the pricing system, and the structure of foreign trade; we have formulated many laws and regulations especially for the special economic zone. Fifth, the gross output of the city's industrial production in 1984 rose to 1.8 billion yuan, nearly 30 times as much as the 60 million yuan in 1978. The gross output value of agricultural production was 115 million yuan (calculated according to new definitions), an increase of 9.6 percent over 1978. Revenues amounted to 500 billion yuan, increasing by 2800 percent. With the economic growth, the people's material and cultural life has also improved substantially.

To sum up, in the past few years the Shenzhen Special Economic Zone has scored great achievements in economic construction. Shenzhen, a bleak, small border town in the past, has been built into a modern city with the beginnings of prosperity and a place with a preliminary investment climate. This has explored ways and means of opening up to the world and carrying out reform. Such successes should not be underestimated. This is a victory for the center's policy of opening up to the world and demonstrates the hard work done by all the cadres and people of Shenzhen by virtue of the state preferential policies and with the support of other parts of the country.

In affirming these achievements, we have to face some problems that call for our attention in the first stage of economic development in Shenzhen. The following are the three major problems: 1) In the first few years after the establishment of the Shenzhen Special Economic Zone, commerce, trade and the real estate industry developed very quickly. Shenzhen's prosperity depended mainly on them. The situation changed somewhat last year. Industrial output started increasing, but the practice of giving priority to commerce and trade remained unchanged. 2) In 1984 over 70 percent of products were put on the domestic market, while less than 30 percent were exported. The volume of imports greatly exceeded that of exports. Shenzhen's economy remains mainly geared to the domestic market. 3) Many factories are still engaged in simple processing work. The net output value of industrial production in 1984 made up only 21 percent of the city's gross output value and the processing capability level is lower than the nation's average level by 35 percent.

It is not right to turn a blind eye to the above-mentioned problems. Doing so will hinder Shenzhen's economy in transitioning to a new, higher stage and moving toward the final strategic objective. On the other hand, it is all the more wrong to negate the achievements Shenzhen has scored in economic construction only because of the aforementioned problems. It must be pointed out that problems existing in Shenzhen's current economy are problems occurring in the course of advance and development. We must make a concrete analysis of them. First, we must objectively recognize that economic development should be undertaken stage by stage. Shenzhen did not have a well-laid foundation. It was short of natural resources, technology, and trained people. It is impossible for Shenzhen to build a modern industry and an export-oriented economy within a few years. It must undergo a process of creating conditions to attain the future goal. This process involves construction of the city's infrastructure and the development of some real estate and commerce and trade so as to pave the way for introducing foreign funds and technology and building a modern industry. Second, establishing the Shenzhen Special Economic Zone is a newly emerging thing. There is no previous experience for us. We should be given a certain period of time to understand and adapt ourselves to the strategic objective of the zone's development. Third, it must be noted that there are now price differences between our country's manufactured goods and farm production in the domestic market and those in world markets. After the establishment of the Shenzhen Special Economic Zone, there are favorable conditions for making use of these price differences. By virtue of the party's preferential policies toward the zone and by using these price differences to earn money, some units engaged in some irregular commercial and trade activities geared to the domestic market and the illegal selling of foreign exchange. However, such phenomena do not exist solely in Shenzhen. Its appearance mainly resulted from our improper arrangements for administrative work in the zone.

#### STRIVE TO CHANGE THE ECONOMY GEARED TO THE DOMESTIC MARKET INTO AN EXPORT-ORIENTED ECONOMY

The development of the Shenzhen Special Economic Zone is now entering a new strategic stage. We must decide how to tackle two major issues (the planned opening of a second boundary for strengthening the administration of the special economic zone and implementation of financial reform in the zone). We must make further efforts to fulfill the strategic tasks set for a new stage of development. All this involves work in many fields. In this connection, I would like to simply give my views on three points.

First, we must believe that we must change the direction of the zone's economy and strive to overcome temporary difficulties in the transitional period. Should the direction of the zone's economy be changed? This is a question that should first be solved at a time when the zone is transitioning to a higher stage of development. For various reasons mentioned above, the zone's economy became geared to the domestic market in the previous stage of development. But the center requires that its economy be export-oriented. We have got to change the direction of the zone's economy. Whether or not we change the direction is related to the significance of the existence of the special economic zone and, what is more, is related to the implementation of the policy of opening up to the world formulated by the CPC Central Committee. Therefore, this is a question of no small matter. In my opinion, after entering the stage of development, the Shenzhen Special Economic Zone should concentrate its efforts on the basic strategic tasks of changing its economy geared to the domestic market into an export-oriented economy, changing its production setup, which focuses on trade, into a production setup giving priority to industrial development, and changing its industry equipped mainly with ordinary technology into an industry equipped with modern technology. We should no longer yearn for the domestic market-oriented economy and remove all obstructions to the building of an export-oriented economy. If this question cannot be thoroughly resolved, it will not be easy for us to push Shenzhen's economy forward to a higher stage.

Of course, to develop an export-oriented economy is more difficult than to build an economy geared to the domestic market. To run industry is more difficult than to run commerce. To develop advanced technology is more difficult than to develop ordinary technology. For these reasons we should by no means underestimate the difficulty of changing the direction of the zone's economy. We must make every effort to overcome the temporary difficulties during the transitional period, but these difficulties can certainly be overcome. In my opinion, the planned opening of the second boundary for strengthening the administration of the special economic zone and implementation of financial reform in the zone can be used as a turning point and motive force for overcoming these difficulties and changing the direction of the zone's economy. In the course of tiding over these difficulties, the state should, for a certain period of time, continue to give support and preferential treatment to the zone in economic planning, allocation of materials, transfer of goods to the domestic market, and allotment of foreign exchange. This is very necessary. However, giving continuous support is aimed at stepping up the change in the direction of the zone's economy and leading its economic development to a correct way. A small number of enterprises that cannot be changed into export-oriented enterprises should be readjusted or transferred in a planned way at an early date. This will be helpful to a sound development of the zone's economy. There may be pains for a while. However, this should be regarded as a good thing, not a bad thing.

Second, in order to change the direction of Shenzhen's economy and move toward the strategic objective steadily, we must properly control its economic growth rate and strengthen macroeconomic management.

Since the establishment of the Shenzhen Special Economic Zone, the average annual growth rate of its economy has been very high and the gross output value of its industrial production has more than doubled over the past two years. Such a situation appears likely at the stage of laying a foundation. However, too high a growth rate usually makes the economic structure irrational. In the past the zone did not strictly select projects aimed at strengthening cooperation with units in the Chinese hinterland and promoted the introduction of advanced foreign technology. Many enterprises that could not meet the needs of the zone's development were built. Some of them could not achieve better economic results because of outmoded technology and poor management. Now the base of the industrial output is different from before, so it is impossible to keep on pursuing a higher rate of development for a long time as we did before. In order to change the economy into an export-oriented economy, we must readjust the production setup, improve economic results and properly control the economic growth rate in order to avoid overstimulation and imbalance of the economy.

Thanks to the favorable position of the Shenzhen Special Economic Zone and the preferential conditions rendered to it by the state, the future growth rate of its economy must and can be higher than that of other parts of the country and of Hong Kong. But this high speed must be conducive to changing its economic direction with the condition that the economic structure must be rational and economic results must be better. We should not blindly pursue a higher rate of economic development regardless of any grave consequences that may be brought to the economic structure and economic results. There are many sources of collecting funds for the Shenzhen Special Economic Zone. Simply viewed from sources of collecting funds, it is possible for Shenzhen to pursue a higher rate of development. However, on the other hand, there are also many restrictive factors such as a shortage of energy, transportation facilities, technical personnel and skilled workers and a lack of management experience. As for raising funds, our major sources of funds are foreign investment and such sources are rather unstable. Whether or not we can absorb large amounts of funds does not depend on our objective desire, but depends on the international economic situation, the trend of idle money, the world investment climate, and the comparison of investment conditions between Shenzhen and other parts of our country.

In considering the development level that can be reached between 1990 and 2000 and the relevant growth rate, we must be realistic and should allow for unforeseen circumstances. We would rather overfulfill plans and should not draw up impractical plans that will come to naught or go out of control. In line with the long-term development plans for the special economic zone, we should make proper and orderly arrangements for negotiations and conclusion of agreements on absorbing foreign funds and organize construction projects and production in a planned way so that the zone's economy will be able to grow steadily.

Naturally, during the transformation period it is necessary to appropriately reduce the speed. We should draw lessons from the past, avoid great fluctuations, and guard against coming to a sudden halt so as not to bring about unfavorable consequences.

There is still one question related to speed control and structural readjustment, that is, tightening macroeconomic control and strengthening macroeconomic guidance. In tightening macroeconomic control, it is first necessary to keep the total economic amount under control and ensure the balance between aggregate social demand and aggregate social supply, and the balance between the flow of commodities and funds. With the development of the export-oriented economy, it seems that Shenzhen will export more goods and commodities than its imports in its economic relations with foreign countries, and it will export less goods and commodities than its exports in its economic relations with other parts of the country. With the development of the import of advanced technology and the internal economic associations, for a considerable period of time there will be a capital inflow from foreign countries and from other parts of the country. All these circumstances add to the complexity in achieving a comprehensive balance in the special zone.

In light of these special features, it is necessary to organize a comprehensive balance between financial revenues and expenditures, between credit receipts and payments, between commodity inflow and outflow, between foreign exchange earnings and expenditures, and between the withdrawal and issuance of currency. In view of the fact that the economic operation of the special zone is chiefly regulated by market mechanism, it is necessary to pay attention to the use of economic levers, particularly the levers of bank credits and financial taxation, either in keeping the total economic amount under control or carrying out structural readjustment.

Third, in order to achieve the strategic objective of developing the special zone more satisfactorily and speedily, we should make further efforts to solve the structure of the special zone and its preferential policies. There is too much interference from departments at different levels and some of the policies and measures from departments at the upper levels, which often demand uniformity, do not always conform to the spirit of handling special things in a special way. This will increase the difficulties of the special zone and is unfavorable to the attainment of its strategic objective. It seems there is a need to further extend the decision-making power of the Shenzhen Special Economic Zone, and to make clear the functions and power of the local authorities so that the special zone can have more flexibility in economic work and have more power to explore and experiment. The enterprises and other institutions in Shenzhen run by various departments should be strictly sifted and selected and should receive the control and supervision of the special zone government. With the completion of the transition of the Shenzhen economy to an export-oriented type, it is necessary to go a step further in considering from a strategic point of view the question of how to gradually close the gap between the system of the administrative subordination of the special zone and the system of Hong Kong after we regain sovereignty over it in order to handle more satisfactorily the coordination and links between Shenzhen and Hong Kong.

SHENZHEN BANK OFFICIAL ON FOREIGN BANK BRANCHES

HK220604 Beijing ZHONGGUO XINWEN SHE in Chinese 21 Aug 85

[**"Luo Xianrong, President of Central Bank of the Shenzhen Special Economic Zone, Speaks on the Establishment of Foreign Bank Branches in Shenzhen" -- ZHONGGUO XINWEN SHE headline**]

[Text] Shenzhen, 21 Aug (ZHONGGUO XINWEN SHE) -- With the approval of the head office of the People's Bank of China, the Shenzhen representative office of the Hong Kong and Shanghai Banking Corporation has recently been upgraded and turned into a branch of the bank. Today, Luo Xianrong, president of Central Bank of the Shenzhen Special Economic Zone, said to a reporter of this news agency that it was the first establishment of a foreign bank branch in China. He also said that introducing banks with foreign capital into China was conducive to the development of the whole financial undertaking and was an important task.

Luo Xianrong said that since the promulgation of the provisional regulations on the administration over banks with foreign capital and joint Chinese and foreign capital, many banks with foreign capital and their representative offices have applied to open branches in Shenzhen. He would study the applications and recommend them one by one to the head office. It is expected that within the year, several offices of other foreign capital banks will be upgraded and become branches.

Luo Xianrong held that allowing foreign capital banks in was conducive to drawing in foreign funds and at the same time they would play the role of bridges for increasing Shenzhen's contracts with the outside world. This would be conducive to marketing the special zone commodities in the world market and thus promoting the export-oriented development of the special zone's industry.

Luo Xianrong said that allowing foreign capital banks in was conducive to competition, and that where there was competition there would be development. Besides, foreign capital banks had a wide range and vast volume of business and advanced management. All these facilitated improving the service and management of Chinese banks and enlivening the whole financial sector.

SICHUAN MEETING REVIEWS RECTIFICATION PROGRESS

HK180339 Chengdu Sichuan Provincial Service in Mandarin 1030 GMT 16 Aug 85

[Excerpts] The party committee of the Sichuan provincial organs convened a meeting of responsible comrades of party rectification offices of the various organs and of the party committee on 13 August. The meeting held: The development of second-stage party rectification in the units under the provincial authorities is good. As far as progress is concerned, these units have done the work faster than the province as a whole. Nearly 70 percent of the more than 400 units concerned have basically completed rectification, and a further 30 percent are still conducting it.

As far as quality is concerned, it is a case of two thin ends and a thick middle. About 20 percent of the units have done a good job in rectification and achieved notable results. The great majority still have some problems in rectification and have performed in an average fashion. Rectification in more than 10 units has not been done well, and the main problems there remain basically unsolved. Problems of simultaneous rectification and relaxation have appeared in some units.

In light of the demands of the central and provincial CPC Committees, the conference put forward the following views for implementation:

1. Further embrace the guiding idea that party rectification must guarantee and promote reform, and set strict quality standards.
2. Units currently engaged in rectification must work hard in rectification and correction and ensure that this is not done in a superficial way. In particular, the few units that have not done well in rectification must take effective steps to solve their problems.
3. Units that have basically completed rectification must carry out a thorough review and find out the existing problems. They must study and implement concrete measures for solving them in the light of their actual conditions.
4. Continue to straighten out new unhealthy trends, and at the same time carry out thorough education in ideals and discipline.
5. Before party rectification is completed, the party groups at departmental level must not change their leaders in charge of rectification, close down the rectification offices, or disperse the work personnel involved.
6. During and after rectification, it is necessary to actively recruit outstanding intellectuals and progressive young people into the party.

SHAANXI DISCIPLINE COMMISSION CRITICIZES OFFICIAL

HK190855 Xian SHAANXI RIBAO in Chinese 2 Aug 85 p 1

[Report: "The Office of the Shaanxi Provincial CPC Committee Issues a Circular on Implementing the Central Discipline Inspection Commission's 'Notice' on Resolutely Correcting Unhealthy Practices in Reception Work"]

[Excerpts] On 31 July, the General Office of the Shaanxi Provincial CPC Committee issued a circular on conscientiously implementing the "notice" issued by the Central Commission for Discipline Inspection on 17 July and on resolutely checking unhealthy practices in reception work to party committees and party groups at all levels. The text of the circular is as follows: The Central Commission for Discipline Inspection issued a "notice" on 17 July to publicly handle the case of the serious mistakes of Comrade Liu Yuping, deputy secretary of the CPC Committee of the provincial Highway Bureau, and the enterprise rectification examination and acceptance group headed by him. Liu and his group had lavish banquets, accepted gifts, and spent the state's money without restraint. The issuance of this "notice" is a profound education in discipline to the party organizations at all levels as well as the vast number of party members and cadres of our province. It will play an important role in further checking newly emerging unhealthy tendencies and bringing about a fundamental change for the better in party style.

In accordance with the opinion of the principal leading comrades of the provincial CPC Committee and in order to resolutely check unhealthy practices in reception work, we hereby issue the following special circular, while conscientiously implementing the guideline laid down by the Central Commission for Discipline Inspection in the "notice."

1. When leading comrades, inspection groups, or working groups visit grass-roots units, the local organizations to be visited should not send people to anywhere far away from the seats of the organizations or outside the counties to welcome and send off the visitors. Furthermore, no local unit is allowed to organize the masses to line up to welcome the visitors or to see them off. When going to work at the grass-roots, our leading comrades should travel light and with few attendants for quick movement rather than demand guides at every level, tighten up security at every stop, and bring many attendants along with them, thereby divorcing themselves from the masses.
2. It is necessary to strictly abide by the regulations in receiving leading comrades, inspection groups, and working groups. It is not allowed to go in for ostentation and extravagance and promote privileges. Visitors should be charged for meals like ordinary people; no public funds are to be used as meal subsidies; it is not allowed to subsidize visitors' meals in disguised form, such as exaggerating expenses for hotel accommodation, and the practice of giving lavish banquets is banned. In arranging accommodations, it is necessary to take the interests of the masses into consideration. All arrangements should be based on the existing conditions, and other guests should not be forced to move from guesthouses and hotels to accommodate visiting leading comrades. It is not allowed to purchase new equipment and articles especially for reception of leading comrades, still less purchase high-grade equipment and articles under the pretext of reception.
3. It is not allowed to present gifts to leading comrades, inspection groups, and working groups or sell local products and other products to them at low prices under the pretext of tasting, trial use, and sale promotion of new products.

The above stipulations will be implemented under the supervision of the party's discipline inspection committees at all levels. Prompt action should be taken to check violation of these stipulations. Those who deserve to be criticized should be criticized, those who deserve to be penalized should be penalized, and those who should return benefits they have received must do so promptly. The cases of those who persist in their old ways despite prohibitions, continue to break the rules while the drive to check unhealthy tendencies is carried out, and are making grave mistakes must be handled seriously and should never be tolerated.

SHAANXI GOVERNOR ON CHECKING ARBITRARY BONUSES

HK200609 Xian Shaanxi Provincial Service in Mandarin 1130 GMT 18 Aug 85

[Text] At a recent meeting, Governor Li Qingwei pointed out: We must promptly check the practice of enterprises arbitrarily giving bonuses. The wages of enterprises should be linked to the economic results of the enterprises.

Comrade Li Qingwei said that at present, the situation of enterprises arbitrarily giving bonuses is very serious. Some enterprise leaders abuse their power and infringe upon the interests of workers. Under all sorts of pretexts, they try all means to increase their income, to receive large bonuses, and to greatly deviate from the masses. Furthermore, some enterprise leaders and workers jointly take advantage of the reform and care only about the interests of their local units or small groups. Instead of tapping the enterprises' internal potential and improving their economic results, the leaders focus on personal gain and try all means to retain more of the profits and tax deliveries for the state. Some of them even openly violate the law and discipline and evade paying taxes.

Comrade Li Qingwei seriously pointed out: We must resolutely correct these problems in the area of distribution among enterprises. The enterprise leadership should establish the noble character of striving for prosperity only after everyone has become rich, and should concentrate more efforts on the interests of the state and workers and on the remuneration of scientific and technological personnel.

Furthermore, Comrade Li Qingwei pointed out that when we advocate the practice of linking the enterprises' wages with their economic results, we should grasp its fundamental importance, take some risks, and experience hardships. But some enterprises are not willing to link their wages to their economic results. Instead, they are only interested in giving guaranteed bonuses to everyone irrespective of the enterprises' economic situation. In fact, this is a practice of egalitarianism. Instead of eating from the same big pot of the state, this is the practice of eating from the same medium-sized pot of the enterprise. Instead of being based on one's skills, it is a practice based on the way of thinking of the coward and the slaggard.

Comrade Li Qingwei stressed it is not idle talk that we stress ideals and strive for communism. Rather, we have our specific contents; for comrades taking part in the economic work and enterprise leadership, this refers to the quality of products, the economic results, and the contributions made for the state.

Comrade Li Qingwei stressed in his conclusion: We must not allow the enterprises that have not fulfilled the assigned production tasks to give bonuses. In enterprises that arbitrarily give bonuses, we must recover the excessive part of the bonuses in addition to levying on them the bonus readjustment tax in accordance with the regulations. We must not tolerate the practice of seeking personal gain at the expense of the state.

MING PAO: PLA NAVY PLANES USED FOR SMUGGLING

HK210605 Hong Kong MING PAO in Chinese 21 Aug 85 p 6

[**"Special Dispatch From Beijing": "Naval Air Force Units Go in for Business; Military Planes Smuggle in Goods Worth Over 6 Million Yuan"**]

[Text] A certain unit of the PLA Naval Air Force used its military planes to smuggle in high-class imported goods worth over 6 million yuan and the unit sold smuggled goods worth 2.4 million yuan.

The Discipline Inspection Commission of the CPC Central Military Commission issued a circular on 9 August pointing out that a certain division of the PLA Naval Air Force arranged six flights using military planes to transport high-class imported consumer goods secretly from Hainan Island to Sichuan between January and March this year. The smuggled goods included 1,038 video recorders, 386 color TV sets, 50 radio-cassette recorders, 6,818 videotapes, and one Toyota van with a total value of more than 6 million yuan. These goods were all discovered and confiscated by the Industrial and Commercial Administration, Public Security, and Taxation Departments of Chengdu City.

The party committee of the PLA Navy has decided to take disciplinary measures against the division commander and political commissar who bear the main responsibility for the irregular activities. Inner-party serious warnings were extended to them, and a major demerit was recorded respectively in their administrative records. An inner-party serious warning was also extended to the division chief of staff, who also received a demerit.

This unit conducted speculative activities after the CPC central leadership and the State Council issued an instruction on banning the business activities of all party and government organs and cadres; so the case was very serious. The circular points out that the basic reason for the occurrence of such a case is the impurity of party spirit among some leading cadres, who are only interested in making money for their small group and disregard party and Army discipline.

Reportedly, when the CPC Central Discipline Inspection Commission sent a work group to Hainan Island to investigate the illicit vehicle dealings in early March, the department concerned of the naval headquarters gave a warning to this division. But the division leaders paid no heed and continued to arrange four more flights to transport imported goods to Sichuan. These defiant actions seriously violated law and discipline, disturbed the reform of the economic structure, and damaged the reputation of the PLA.

The circular of the Discipline Inspection Commission of the CPC Central Military Commission requires all party committees and leading cadres in the Army to observe laws, obey orders, subject themselves to the overall interests, faithfully carry out the principles, policies, and instructions of the CPC central leadership, the State Council, and the Central Military Commission in the structural reforms and in the Army's restructuring. Those who do not subject themselves to the overall interests and do not obey orders will be criticized, and those whose mistakes are serious will be punished. If an Army unit allows evil practices to go unchecked, the party organization and the principal leaders of this unit will be dealt with according to discipline.

PAI HSING ON PROSPECTIVE CPC LEADERSHIP CHANGES

HK220306 Hong Kong PAI HSING in Chinese No 102, 16 Aug 85 pp 38-39

[**"Article by Chu Jung: "The Line-Up of Members in the Top Echelons of the CPC in Its September Conference"**]

[Text] Change in Top-Level Personnel the Focus of World Attention

It is now July and can be considered one of the "three 10-day periods of the hot season," as a Chinese saying goes. The heat in Beijing is oppressive. Except for cold drink vendors in the street shouting their wares, life is quiet as usual. But amid such quiet, a major event of world significance is in the process of gestation on the mainland political scene. According to reliable sources, top-ranking Chinese Communist personnel the other day held an important meeting at the summer resort of Beidaihe to study and arrange a new line-up of top-ranking officials. Deng Xiaoping, Zhao Ziyang, Peng Zhen and other important Chinese Communist officials' separate talks with Kimura, president of the Japanese House of Councillors, on 21 July tend to support the credibility of such unusual news.

The age problem of top Chinese Communist leaders has long existed. Despite reorganization efforts on many occasions, an overall solution has not been found. In an interview with Kimura in Beidaihe, Deng Xiaoping unhesitatingly pointed out that the Central Committee members elected at the 12th National CPC Congress were not ideal enough, as far as the reduction of the average age of cadres is concerned. The same is true of the relevant central leadership organs -- the Political Bureau and the Secretariat. He revealed that the central task of the September party conference in Beijing this year was to make the members of these policy-making organs relatively young.

The 12th National CPC Congress in 1982 elected a total of 28 members and alternate members of the Political Bureau. Except for Liao Chengzhi who died, 22 of the remaining 27 members were in their 70's. The other five were Zhao Ziyang, Zhang Tingfa, Li Desheng, Ni Zhifu, and Chen Muhua.

Zhao Ziyang as premier of the State Council and Zhang Tingfa as commander of the Air Force are currently men of great influence. These two will remain in the Political Bureau.

Though Zhang Tingfa has resigned his post as Air Force commander, this does not mean he is retiring. It is said that he is likely to fill the general's post vacated by Zhang Aiping and rise to minister of national defense. This especially shows that he will carry great weight in the days ahead.

#### It Is Hard To Live Up to a Great Reputation

Li Desheng and Ni Zhifu were political stars who emerged during the "Cultural Revolution." But they were excluded as "mediocrities" by the gang of four, who were the "cause of the earthquake" on the mainland. After Deng Xiaoping's comeback, these two persons with no obvious mistakes on their records were treated by top Chinese Communist leaders as "people that would be jilted for no reason." Li and Ni were Political Bureau members and had long held posts in Beijing. It was said that because they could hardly live up to their reputation, the only way out was to first assign them one after another as officials in other areas. But as an outsider, I dare not rush to the conclusion of whether this is true or not. Now, Li Desheng has been relieved of the post of commander of the Shenyang Military Region. From this, people can judge that he can also hardly keep his Political Bureau membership. Ni Zhifu started out as a worker and lacks education. Since he assumed the office of secretary of the Tianjin City CPC Committee the press has scarcely mentioned him. It may be recalled that in the several times Deng Xiaoping and Hu Yaobang talked about the talents and abilities of up-and-coming youngsters they never mentioned Ni. From this, we can see that Ni is not their favorite. It is hard to judge at this time whether or not he will stay, but there is no doubt that any hope for his promotion has been ruled out.

After Wu Guixian's comedown to where she began as a textile worker, Chen Muhua took over as alternate member of the Political Bureau of the CPC Central Committee. Since she assumed office, she has not performed any known deed of great merit, but because she is "in the prime of youth," it is generally believed that she can keep her original post. However, the chances are less than 50-50. Suggestive of this is her now much less important job of being in charge of the People's Bank of China rather than her original one with full control of the mainland's foreign trade.

Of the 25 Political Bureau members who are over 70, Ye Jianying, though a person commanding great respect within the CPC, is after all an old man in ill health long confined to bed. His days are numbered. There is no doubt that he will make a retreat. Wei Guoqing, a person involved with old accounts to be settled about the Guangxi "Cultural Revolution" has long lived the life of a recluse. It is now high time to deprive him of the nominal title of Political Bureau member!

#### The Old Retire While the Young Take Over

Xu Xiangqian, Nie Rongzhen and other senior Chinese Communist leaders are advanced in age and have recently done little work. For them to set an example now and take the initiative to retire as a concession to the call for "a reduction in average age" seems to be what is expected. Since Song Renqiong resigned his post as director of the Organization Department of the CPC Central Committee, he has actually excused himself from party work. Like Wang Zhen, he is confined to handling routine government matters, mostly general foreign affairs of a social nature or social activities. The above four people will probably withdraw from the Political Bureau scene to spend the twilight of their lives in the quiet of a traditional home painting or writing reminiscences dedicated to the history of the CPC, or acting as advisers and the like.

Eighty-year-old Deng Xiaoping, Li Xiannian, Chen Yun, Peng Zhen, and Deng Yingchao are all in important posts. Deng Xiaoping is the actual man in charge of the Chinese Communists and is also the main designer of the Chinese Communist blueprint for running the country. So his position is firm as a rock. The other four people are also important Chinese Communist officials carrying great weight. Their staying in the Political Bureau as senior founders of the CPC to give the "young" a helping hand and walk with them part of the way is also necessary. Whether the news of any one of them making a retreat will break at the coming conference is unknown. If this should happen, it would also not be anything unusual.

The CPC Central Committee Secretariat with Hu Yaobang as general secretary, which is an important organ in charge of the routine business of the CPC, will give clear expression to the features of "a younger staff." Hu Yaobang, Wan Li, Xi Zhongxun, Deng Liqun, and Yu Quili are all about 70. Deng Liqun has given up the post of director of the Propaganda Department of the CPC Central Committee. Official quarters stress that this man will remain in the Secretariat also taking charge of propaganda work, but the use of the "method of reducing the average age" is expected to come to an end after the September party conference. From this, it can be seen that except for Hu Yaobang, who still needs the title of someone in charge of the work of the Secretariat, Wan Li, Xi Zhongxun, and Yu Quili will be relieved of their routine duties to make way for the younger generation. This is what the general trend of things suggests. Just as Zhu Houze's meteoric rise to director of the Propaganda Department of the CPC Central Committee caught us by surprise, so many unknown Chinese Communist cadres' entry into the Secretariat is not unexpected.

#### Most Promising Young Talent

Who then are those likely to enjoy a meteoric rise to power in the current "blood transfusion"?

Judging from things in the mainland political scene in the past 2 years, Hu Qili, member of the Secretariat; Hao Jianxiu, alternate member of the Secretariat; Li Peng and Tian Jiyun, vice premiers of the State Council; Wang Zhaoguo, director of the General Office of the CPC Central Committee; and others have risen spectacularly like rising suns in the east. They are the "five brave generals" of Deng and Hu, as the story circulating in the community says. From this, it can be seen that these new outstanding generals will be properly placed in the Political Bureau or the Secretariat. In addition, Qiao Shi, alternate member of the Secretariat, is also a rather promising candidate.

Of the "five brave generals," Hu Qili can be considered the most active new star on the political scene. This year the mainland called two quite extraordinary meetings -- the writers' representative conference and the educational work conference -- both presided over by him. Deng Xiaoping's right-hand men, Hu Yaobang and Zhao Ziyang, once time and again stressed that in the future routine business should not be shoved onto the shoulders of statesmen of "the older generation" like Deng Xiaoping, Li Xiannian, and Chen Yun, and that up-and-coming talented people should "bravely take up work." While "bravely taking up work," Hu Qili not only invited Hu Yaobang and Zhao Ziyang to the meetings but also asked Deng Xiaoping to make reports there. From this alone, we can see the importance of his political position. Not long ago, on many occasions, Deng Xiaoping and Hu Yaobang also openly praised Hu Qili's talents. People on the outside judged from this that he would be Hu Yaobang's "successor." This does not seem farfetched.

Incumbent Vice Premier Li Peng, who was Zhou Enlai's adopted son and a returned student from the Soviet Union, has long been in economic work. On the strength of his professional knowledge and leadership experience, he was promoted from vice minister of water conservation and power to vice premier of the State Council. On a recent visit to North America with Li Xiannian, he once again made it known that the mainland would build the largest hydroelectric station in the world in the Chang Jiang Sanxia. According to him, this ambitious project will change the construction pattern and the picture of development on the mainland. If he were not a man at the core of the CPC, he would not have dared to say this! The educational work conference presided over by Hu Qili decided to abolish the Ministry of Education of the State Council and establish an education commission. This major decision with the direct participation of Deng, Hu, and Zhao lastly affirmed the appointment of Li Peng as director of the commission. It is no simple task to shoulder this heavy burden. Deng Xiaoping deeply feels that the success of the modernization effort depends on the number of skilled personnel available. He has stressed that the development of education is the party's historical mission. To vest this historic mission in Li Peng, on the one hand, shows the confidence that Deng, Hu, and Zhao have in Li Peng. On the other hand, it shows that Li Peng has a very promising future ahead. Another vice premier, Tian Jiyun, was personally cultivated by Zhao Ziyang and brought by him from Sichuan to Beijing to fill the important post as the secretary general of the State Council. Later, Tian Jiyun was promoted to vice premier. He is an astute and highly capable man and has recently been a special focus of attention. It seems that there is no question about these people making it into the Political Bureau. As to who will rise to succeed Zhao Ziyang as premier at the expiration of the latter's term, this is guesswork left for the future.

#### Two New Stars Worth Noting

Two other new stars are Wang Zhaoguo and Qiao Shi. Since they first appeared on the political scene, they have made steady progress. When Wang Zhaoguo was assistant manager of the Wuhan No 2 automobile factory, he was in Deng Xiaoping's good graces.

After he made it to the capital, he acted as secretary of the CYL Central Committee. Some people consider the CYL Central Committee is the cradle of top Chinese Communist leaders. This is not entirely untrue. Before long Wang Zhaoguo rocketed to become the director of the General Office of the CPC Central Committee. This is an important post with access to top Chinese Communist secrets. It calls for constant participation in the meetings of the Secretariat and even the Political Bureau. Former holders of the post Yang Shangkun and Wang Dongxing were members of the Political Bureau. But both Yang Shangkun, who met with misfortune during the "Cultural Revolution," and Wang Dongxing, who passed out of the picture because of his upholding the "two whatevers," did not have things go well for them all the way. Since Wang Zhaoguo took up this important post, nothing has been heard about anything great done by him politically but recently he accompanied Li Xiannian on his trip to the United States. This shows that it is intended to cultivate him as a successor to an important post.

Qiao Shi, acting director of the Organization Department of the CPC Central Committee, is now an alternate member of the Secretariat. But since Hu Yaobang's first appointment as director of the Organization Department of the CPC Central Committee, all of his successors have been Political Bureau members. Will Qiao Shi be an exception? Hao Jianxiu, now an alternate member of the Secretariat, was originally a well-known "model worker." She was later sent to a college for further studies and became an educated worker, a typical figure among women on the mainland today. It is expected that at the September conference, Qiao Shi and Hao Jianxiu will climb still higher.

Recently, the Chinese Communists have transferred and changed leaders of provincial and city CPC committees involving such areas as Guangdong, Guizhou, Jilin, Qinghai, Sichuan, Jiangsu, Shanghai, and so forth. This work will be continuously carried out. The solution of the problem of "a reduction in the average age" among CPC and administrative leaders at these levels will pave the way for the September "blood transfusion." In addition, many aged members or alternate members of the CPC Central Committee have retired or do no work. The CPC Central Committee will naturally recruit new members in line with the requirements for "knowledge and youth."

Zhu Houze, the newly appointed director of the Propaganda Department of the CPC Central Committee; newly elected secretaries of various provinces, cities, and prefectures; governors and mayors of various provinces and cities; various newly appointed ministers of the State Council; and commanders of certain military regions have all measured up to the above requirements and will be natural candidates of first choice. It is believed the well-known scientist Xu Ruijuan, reformist Bu Xinsheng, and a number of people among young and capable and influential Chinese Communist scholars and experts in intellectual circles will make it into the CPC Central Committee. Descendants of the founders of the CPC Ye Xuanping, Chen Yuan, Chen Wusu, Liao Hui, and so forth have already taken up various important posts. Their entry into the CPC Central Committee is considered to be without doubt.

It seems that the new personnel line-up in restructuring the composition of the top-level leaders at the September party conference will surface at a mammoth ceremony marking the 36th anniversary of Chinese Communist rule on 1 October. There will be some changes in the membership of the Standing Committee of the Political Bureau. It is difficult to guess who will be the new members. As the list is in Deng Xiaoping's head, the writer can do nothing but venture a guess on the basis of observations. It is of course not to be taken seriously. But the saying "the new is superseded by the old in ancient just as in present times" holds true.

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